

8814. Also, petition of the Brotherhood of Locomotive Engineers, Brotherhood of Locomotive Firemen and Enginemen, Order of Railway Conductors, Brotherhood of Railroad Trainmen, Switchmen's Union of North America, and the Order of Railroad Telegraphers, urging that the joint conference committee convene as soon as possible to take affirmative action on Senate bill 2009; to the Committee on Interstate and Foreign Commerce.

8815. Also, petition of the Educators Association of New York City, urging all possible aid to the Allies, particularly with reference to aircraft; to the Committee on Ways and Means.

8816. Also, petition of the Rockcliffe Realty Corporation of New York City, opposing increased taxation to provide for the national-defense program; to the Committee on Ways and Means.

8817. Also, petition of the National Association of Letter Carriers, opposing a 10-percent reduction in departmental appropriations proposed by Senator BYRD in an amendment to House Joint Resolution 544, particularly as it would adversely affect postal employees; to the Committee on Appropriations.

8818. Also, petition of Robert Gair Co., Inc., urging adoption of the amendment to the sugar bill which would restore the previous quotas on Puerto Rican and Hawaiian refined sugars; to the Committee on Agriculture.

8819. Also, petition of the New York Committee To Keep America Out of War, relative to the national-defense program; to the Committee on Ways and Means.

8820. Also, petition of the Morrisdale Coal Mining Co., of New York City, urging adoption of the amendment to the sugar bill which would restore the previous quotas on Puerto Rican and Hawaiian refined sugars; to the Committee on Agriculture.

8821. Also, petition of the Employees Committee to Maintain Brooklyn's Cane Sugar Refining Industry of Brooklyn, N. Y., urging adoption of the amendment to House bill 9654, the sugar bill, which would restore the previous quotas on Puerto Rican and Hawaiian refined sugars; to the Committee on Agriculture.

8822. Also, petition of the Mothers of the United States of America, opposing enactment of legislation relative to an industrial mobilization plan or compulsory military training; to the Committee on Military Affairs.

8823. Also, petition of the Merchants' Association of New York, urging adoption of the amendment to House bill 9654, the sugar bill, which would restore the previous quotas on Puerto Rican and Hawaiian refined sugars; to the Committee on Agriculture.

8824. Also, petition of Seeck & Kade, Inc., of New York City, urging adoption of the amendment to House bill 9654, the sugar bill, which would restore the previous quotas on Puerto Rican and Hawaiian refined sugars; to the Committee on Agriculture.

8825. Also, petition of the American Retail Federation, urging the enactment of legislation for continuing freight-forwarder services; to the Committee on Interstate and Foreign Commerce.

8826. Also, petition of the Food and Grocery Conference Committee, representing all factors in food manufacturing and distribution, supporting the food-stamp plan which has recently celebrated its first anniversary and has moved efficiently large surpluses of food to the needy; to the Committee on Labor.

8827. Also, petition of the Union Bag & Paper Corporation, urging adoption of legislation that will protect continental American sugar industry; to the Committee on Agriculture.

8828. By Mr. KRAMER: Petition of the Park Commission of the City of Los Angeles, relative to the 5-year lease of the Rancho golf course; to the Committee on the Public Lands.

8829. By Mr. OSMERS: Petition of employees of the National Sugar Refining Co., of New York, N. Y., and Edge-

water, N. J., protesting against passage of House bill 9654; to the Committee on Agriculture.

8830. By Mr. SCHIFFLER: Petition of Inez V. Yeager and other citizens of Wheeling, W. Va., urging 100-percent cooperation with the Allies; to the Committee on Foreign Affairs.

8831. Also, petition of Hundred Post, American Legion, No. 120; Paden City Post, the American Legion; and Marne Post, No. 28, the American Legion of New Martinsville, W. Va., protesting against the passage of Senate bill 1650; to the Committee on Military Affairs.

8832. Also, petition of Post No. 120, the American Legion of Hundred; the American Legion Post of Paden City; and Marne Post, No. 28, the American Legion, New Martinsville, W. Va., urging that legislation be enacted providing for the deportation from America and its possessions all subversive groups having as their basic principles the final and complete overthrow of our present form of government; to the Committee on Immigration and Naturalization.

8833. Also, petition of Hundred (W. Va.) Post, the American Legion, No. 120; Paden City (W. Va.) Post, the American Legion; and Marne Post, No. 28, the American Legion, of New Martinsville, W. Va., urging early passage of the bill providing for the fingerprinting of all aliens now residing in the United States and its possessions; to the Committee on Immigration and Naturalization.

8834. By the SPEAKER: Petition of the West Side Council of the Jewish Peoples, New York, N. Y., petitioning consideration of their resolution with reference to House bill 9858, immigration legislation; to the Committee on Immigration and Naturalization.

8835. Also, petition of Cumberland Presbyterian Church, Nashville, Tenn., petitioning consideration of their resolution with reference to the defense program; to the Committee on Military Affairs.

8836. Also, petition of R. Skeel, of Cleveland, Ohio, petitioning consideration of his resolution with reference to the defense program; to the Committee on Military Affairs.

8837. Also, petition of E. Harri and others, of San Francisco, Calif., petitioning consideration of their resolution with reference to the defense program; to the Committee on Military Affairs.

## SENATE

WEDNESDAY, JUNE 19, 1940

(Legislative day of Tuesday, May 28, 1940)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

The Chaplain, Rev. Z. Barney T. Phillips, D. D., offered the following prayer:

O Spirit of the living God, breathe upon us with Thy quickening power that we may feel a renewed sense of privilege as we enter upon the duties of another day. Make us conscious of our ability to meet its great demands because of Thine indwelling in hearts now humbly waiting to enshrine the Infinite God.

Help us to realize as ne'er before the high demands of public service amid the tragedies that have befallen men and nations. May we abhor all lesser standards of the right, and, with a robust courage, with poise and self-possession, may we choose the higher ways of life, where mercy and truth, righteousness, and peace shall one day meet and dwell together to the establishment of God's glory among men. We ask it in the name of Jesus Christ, our Lord and Saviour. Amen.

### THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day of Tuesday, June 18, 1940, was dispensed with, and the Journal was approved.

## NOTIFICATION TO PRESIDENT OF CONFIRMATION OF JUDICIAL NOMINATIONS IN FLORIDA

Mr. BARKLEY. Mr. President, on last Saturday the nomination of Mr. Curtis L. Waller to be Federal judge in the State of Florida was confirmed, and the nomination of Mr. Jordan B. Royall to be United States marshal for the northern district of Florida was confirmed. As in executive session, I ask unanimous consent that the President be notified of the confirmation of those nominations.

The VICE PRESIDENT. Is there objection?

Mr. McNARY. The nominations, as I understand, have been confirmed?

Mr. BARKLEY. They were confirmed on Saturday last.

Mr. McNARY. And the request is now that the President be notified?

Mr. BARKLEY. Yes.

Mr. McNARY. I have no objection.

The VICE PRESIDENT. Without objection, the President will be notified of the confirmation of the nominations referred to.

## CALL OF THE ROLL

Mr. MINTON. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Davis	Lee	Schwartz
Andrews	Donahay	Lodge	Schwellenbach
Ashurst	Downey	Lucas	Sheppard
Austin	Ellender	Lundeen	Shipstead
Bailey	George	McCarran	Slattery
Bankhead	Gerry	McKellar	Smathers
Barkley	Gillette	McNary	Smith
Bilbo	Green	Maloney	Taft
Bone	Guffey	Mead	Thomas, Idaho
Bridges	Gurney	Miller	Thomas, Okla.
Brown	Hale	Minton	Thomas, Utah
Bulow	Harrison	Murray	Tobey
Burke	Hatch	Neely	Townsend
Byrd	Hayden	Norris	Truman
Byrnes	Herring	Nye	Tydings
Capper	Hill	O'Mahoney	Vandenberg
Caraway	Holman	Overton	Van Nuys
Chandler	Holt	Pepper	Wagner
Chavez	Hughes	Pittman	Walsh
Clark, Idaho	Johnson, Calif.	Radcliffe	Wheeler
Clark, Mo.	Johnson, Colo.	Reed	White
Connally	King	Reynolds	Wiley
Danaher	La Follette	Russell	

Mr. MINTON. I announce that the Senator from Virginia [Mr. GLASS] and the Senator from Tennessee [Mr. STEWART] are necessarily absent from the Senate.

Mr. AUSTIN. I announce that the Senator from North Dakota [Mr. FRAZIER] and the Senator from Vermont [Mr. GIBSON] are necessarily absent.

The Senator from New Jersey [Mr. BARBOUR] is absent on official duties.

The VICE PRESIDENT. Ninety-one Senators have answered to their names. A quorum is present.

## CORRECTION

Mr. TYDINGS. Mr. President, during the course of the debate yesterday, on page 8506 of the RECORD, when the senior Senator from Maryland was speaking, the RECORD reads:

What have we heard in the Senate for the past 4 or 5 weeks? "Stop Hitler! This country is faced with a great emergency. We must sell planes."

In other words, I was not saying "Stop Hitler" or "We must sell planes," or "We are faced with a great emergency." I was quoting some of the debate which has taken place here during the past 4 or 5 weeks.

As reported in this morning's Baltimore Sun, however, I am put in this position:

When his 5-percent amendment went down to defeat, Senator TYDINGS literally screamed. With a high-pitched blast he shouted, in news-vendor fashion, "Stop Hitler now," "Fill the skies with clouds of planes," "A navy second to none."

[Laughter.]

Mr. President, I did use very much vehemence in imitating some of the impassioned speeches made on the floor, as the RECORD shows, in order to show the emergency which certain

Senators thought they faced, and which I agree we do face; but at no time did I indulge in the remarks attributed to me in the manner set forth in the Sun. I take this opportunity to correct the record, so that the future historian will get the truth about this particular happening.

## JUDGMENT RENDERED AGAINST THE GOVERNMENT BY A DISTRICT COURT (S. DOC. NO. 222)

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, transmitting, pursuant to law, a record of judgment rendered against the Government by a district court, amounting to \$3,171.74, which, with the accompanying papers, was referred to the Committee on Appropriations and ordered to be printed.

## CLAIMS ALLOWED BY GENERAL ACCOUNTING OFFICE (S. DOC. NO. 223)

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, transmitting, pursuant to law, a schedule of claims allowed by the General Accounting Office, amounting to \$129,194.66, under appropriations, the balances of which have been carried to the surplus fund under the provisions of law, which, with the accompanying papers, was referred to the Committee on Appropriations and ordered to be printed.

## CLAIMS ALLOWED BY GENERAL ACCOUNTING OFFICE (S. DOC. NO. 224)

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, transmitting, pursuant to law, a schedule of claims allowed by the General Accounting Office, amounting to \$232,712.44, under appropriations, the balances of which have been carried to the surplus fund under the provisions of law, which, with the accompanying papers, was referred to the Committee on Appropriations and ordered to be printed.

## CLAIMS FOR DAMAGES TO PRIVATELY OWNED PROPERTY (S. DOC. NO. 225)

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, transmitting estimates of appropriations submitted by the several executive departments and independent offices, to pay claims for damages to privately owned property, amounting to \$7,232.13, which, with the accompanying papers, was referred to the Committee on Appropriations and ordered to be printed.

## JUDGMENT RENDERED BY COURT OF CLAIMS (S. DOC. NO. 226)

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, transmitting, pursuant to law, statement of a judgment rendered by the Court of Claims, under the War Department, amounting to \$4,000, which, with the accompanying papers, was referred to the Committee on Appropriations and ordered to be printed.

## CLAIMS FOR DAMAGES UNDER RIVER AND HARBOR WORK (S. DOC. NO. 227)

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, transmitting estimates of appropriations submitted by the War Department to pay claims for damages under river and harbor work, in the sum of \$5,941.80, that have been considered and adjusted under the provisions of law, which, with the accompanying papers, was referred to the Committee on Appropriations and ordered to be printed.

## CLAIMS ALLOWED BY GENERAL ACCOUNTING OFFICE (S. DOC. NO. 228)

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, transmitting, pursuant to law, an estimate of appropriation for payment of certain claims allowed by the General Accounting Office, amounting to \$6,219.22, as covered by certificates of settlement, and so forth, which, with the accompanying papers, was referred to the Committee on Appropriations and ordered to be printed.

## CLAIM OF CAPT. ROBERT E. COUGHLIN (S. DOC. NO. 229)

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, transmitting, pursuant to law, an estimate of appropriation for payment of a certain claim allowed by the General Accounting Office

(War Department: Payment to Capt. Robert E. Coughlin), amounting to \$165, which, with the accompanying papers, was referred to the Committee on Appropriations and ordered to be printed.

**SUPPLEMENTAL ESTIMATES, TREASURY DEPARTMENT (S. DOC. NO. 231)**

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, transmitting supplemental estimates of appropriations for the Treasury Department, fiscal year 1941, amounting to \$5,889,000, which, with the accompanying paper, was referred to the Committee on Appropriations and ordered to be printed.

**SUPPLEMENTAL ESTIMATES, DISTRICT OF COLUMBIA (S. DOC. NO. 232)**

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, transmitting supplemental estimates of appropriations for the District of Columbia, fiscal year 1940, amounting to \$2,935.85, which, with the accompanying paper, was referred to the Committee on Appropriations and ordered to be printed.

**ESTIMATE FOR UNITED STATES—UNIVERSITY OF PENNSYLVANIA BICENTENNIAL COMMISSION (S. DOC. NO. 230)**

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, transmitting an estimate of appropriation for the expenses of the United States—University of Pennsylvania Bicentennial Commission, fiscal year 1941, to be immediately available, amounting to \$1,500, which, with the accompanying paper, was referred to the Committee on Appropriations and ordered to be printed.

**SUPPLEMENTAL AND DEFICIENCY ESTIMATES, DEPARTMENT OF THE INTERIOR (S. DOC. NO. 233)**

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, transmitting supplemental and deficiency estimates of appropriations for the Department of the Interior, fiscal year 1941 and prior fiscal years, in the amount of \$96,110, which, with the accompanying paper, was referred to the Committee on Appropriations and ordered to be printed.

**PETITIONS AND MEMORIALS**

The VICE PRESIDENT laid before the Senate the following concurrent resolution of the Legislature of the State of Louisiana, which was referred to the Committee on Military Affairs:

Memorializing the Congress of the United States to place the United States in an immediate state of preparedness by establishing universal military training of the young men of the Nation

*Be it resolved*, That this Legislature of the State of Louisiana urge the Congress of the United States—

To place upon the statute books of the United States of America a law to make immediately effective universal military training of the young men of the Nation in order that our liberty and our freedom from foreign domination may be secured;

To cause this provision of law to take effect this summer in order that the first class to be called gain instruction at the earliest possible moment;

To limit the period of instruction for each class to 6 months in order that the largest number of classes possible may receive training prior to their probable need, and to place the greatest number in a state of readiness at the smallest cost to the taxpayers of this country; and be it further

*Resolved*, That copies of this concurrent resolution be forwarded immediately to the President of the United States, the President of the United States Senate, the Speaker of the House of Representatives of the United States, to the Louisiana senatorial and congressional representatives in Washington, and to the press.

The VICE PRESIDENT also laid before the Senate a telegram in the nature of a petition, signed by Mrs. Guy Hayler, president, National Legion Mothers of America (western headquarters), San Francisco, Calif., praying that the United States may keep out of the present European conflict and that no American boys be sent to fight on foreign soil, which was referred to the Committee on Foreign Relations.

He also laid before the Senate a resolution unanimously adopted by a meeting of citizens of Mathis, Tex., and vicinity, praying for the prompt enactment of legislation to stop all subversive activities in the United States, to outlaw the Communist Party, and to deport all undesirable aliens, which was referred to the Committee on the Judiciary.

He also laid before the Senate a telegram in the nature of a petition from the Laurel (Del.) Rotary Club, praying that

Congress remain in session during the present international crisis, which was ordered to lie on the table.

Mr. TYDINGS presented petitions of sundry citizens of the State of Maryland, praying that Congress remain in session during the present international crisis, which were ordered to lie on the table.

Mr. LODGE presented a petition of sundry citizens of the State of Massachusetts, praying that the United States render all needed material aid to the allied nations, which was referred to the Committee on Foreign Relations.

Mr. VANDENBERG. Mr. President, I present the petition of Neuman-Wenzel Post, No. 73, American Legion, of Sturgis, Mich., which is signed by 841 citizens of that vicinity. I ask that the petition may be appropriately referred, and the body thereof printed in the RECORD without the signatures attached.

There being no objection, the petition was referred to the Committee on Foreign Relations and ordered to be printed in the RECORD (without the signatures attached), as follows:

AMERICAN LEGION,  
NEUMAN-WENZEL POST, No. 73,  
Sturgis, Mich., June 17, 1940.

The Honorable ARTHUR H. VANDENBERG,  
United States Senate, Washington, D. C.

DEAR SIR: Neuman-Wenzel Post, No. 73, of the American Legion, and the 841 undersigned citizens, realizing the serious situations confronting our Nation, believe that:

1. The use of our warships to convey help and supplies to the Allies is nothing short of an act of war. This and all activities by citizens or Government that would lead us into war, or nearer thereto, must be stopped.

2. That Congress should remain in session all during the present crisis to preserve our American system of government.

3. That all agencies, of whatever nature, either individuals or groups, tending to promote dissatisfaction with our American form of Government must be crushed.

We urge your untiring assistance in every way possible to the accomplishment of the above beliefs.

Courteously,

[Signed by the commander of the post, and 841 other citizens.]

**THE NATIONAL DEFENSE—RESOLUTION OF BOARD OF COMMISSIONERS, NEWPORT, KY.**

Mr. BARKLEY presented a resolution of the Board of Commissioners of the City of Newport, Ky., which was referred to the Committee on Foreign Relations and ordered to be printed in the RECORD, as follows:

Resolution proffering to the United States of America any and all municipal properties and facilities of and in the city of Newport, Ky., to further the defense and rearmament plan instituted and adopted by said Federal Government

Whereas it is the sense of the officers, officials, and employees of the city of Newport, Ky., and of the residents and inhabitants of said municipality, that full and complete cooperation and accord be tendered those responsible for our national defense and rearmament; and

Whereas it is deemed that an international and national emergency exists which threatens the homes and firesides of every American citizen, as well as the democratic American ideals brought into being, fostered, and maintained by our forefathers: Now, therefore, be it

*Resolved by the Board of Commissioners of the City of Newport, Ky.:*

SECTION 1. That any and all properties and facilities of and in the city of Newport, Ky., be, and they are hereby unreservedly proffered and tendered to the United States of America for such use or uses as may be consistent with the national defense and rearmament plan instituted and adopted by our said Federal Government.

SEC. 2. That copies of this resolution be forthwith mailed by the city clerk of the city of Newport, Ky., to the United States Senators from Kentucky, Hon. ALBEN W. BARKLEY and Hon. A. B. CHANDLER, and to the Congressman from the Fifth Congressional District, Hon. BRENT SPENCE, at Washington, D. C.

SEC. 3. That this resolution shall take effect and be in force from the earliest date provided by law and from and after the publication hereof.

EARL DIETZ, Mayor pro tempore.

**COMPULSORY MILITARY TRAINING—TELEGRAM FROM NATIONAL GUARD OFFICERS ASSOCIATION, JACKSON, MISS.**

Mr. BILBO presented a telegram from the National Guard Officers Association, Jackson, Miss., which was referred to the Committee on Military Affairs and ordered to be printed in the RECORD, as follows:

JACKSON, MISS., June 16, 1940.

Senator THEODORE G. BILBO,  
Washington, D. C.:

The National Guard Association of Mississippi passed the following resolution unanimously: This date be it resolved by the National

Guard Association of the State of Mississippi in convention assembled that in order to keep up with modern developments in military science it is necessary that a form of adequate compulsory military training for all able-bodied male citizens of the United States should immediately be established and put into effect. Your cooperation is required.

THE NATIONAL GUARD OFFICERS  
ASSOCIATION,  
MAJ. JOHN PATTON, *Secretary*.

RESOLUTION OF AGRICULTURAL POLICY AND PLANNING COMMITTEE  
OF MISSISSIPPI

Mr. BILBO presented a resolution of the Agricultural Policy and Planning Committee of the State of Mississippi, which was referred to the Committee on Military Affairs and ordered to be printed in the RECORD with the signatures attached thereto, as follows:

Whereas the Government of the United States of America has manifested not merely a willingness and desire to be of benefit to the farmers of the land, but has put forth more time and effort and has expended more funds in seeking to put the agricultural interests of this country on a higher and more permanent basis than has ever occurred in our history; and

Whereas our Government, due to world-wide conditions, is faced with problems and responsibilities, perhaps greater than at any other time in its history; and

Whereas, even as the farmers of the country appreciate the steps of the Government in their behalf, they also realize that if they do not continue to play their part in the economic life of the country, all efforts for its preservation must fail, and now, as at all other times, it is their intention to meet and discharge every duty cast upon them by national need or emergency; Now, therefore, be it

*Resolved by the Agricultural Policy and Planning Committee of the State of Mississippi, in State-wide meeting assembled, at Jackson, Miss., on this June 11, 1940, as follows:*

First. That we, representing the farmers of the State of Mississippi, for ourselves and for all those we represent, do hereby pledge to the President of the United States, his Cabinet, to the Members of the Senate and House of Representatives, and all others in official position throughout our land, our earnest and wholehearted cooperation in those policies, measures, and plans which may be enacted or put into effect in the present emergency.

Second. Not only loyally to undertake to carry out those things which may actually so be required of us, we further declare it to be our purpose, at all times, as good citizens, to be alert against those things which would directly or indirectly interfere with the safety and welfare of our Government, but without passion, prejudice, or hysteria.

The resolution was sponsored by Dr. Joe E. Frazer and was unanimously adopted.

The names of members of the committee present appear on the resolution and are listed below.

Frank D. Barlow, Dr. Joe E. Frazer, P. R. Williams, H. C. Carter, Aubrey Sigrest, S. W. Pierce, O. A. Oakley, J. A. Randle, Mrs. R. E. Wilkerson, Mrs. A. L. Love, Mrs. Mittie Lou Perkins, Mrs. Elma S. Wade.

RESOLUTION OF HARRY HARVEY POST, NO. 14, AMERICAN LEGION,  
M'COMB CITY, MISS.

Mr. BILBO presented a resolution of Harry Harvey Post, No. 14, American Legion, of McComb City, Miss., which was referred to the Committee on Foreign Relations and ordered to be printed in the RECORD, as follows:

Resolution reaffirming the loyalty of Harry Harvey Post, No. 14, of the American Legion, McComb City, Pike County, Miss., to the ideals of democratic government, and reaffirming our loyalty to our former Allies, pledging our loyalty to their cause, and urging immediate aid to them by our Government

Whereas one of the fundamental purposes of the American Legion is to perpetuate and foster the democratic ideals of government that have been maintained by the United States of America during the entire period of its existence, for the promotion of which many sacrifices have been made; and

Whereas in 1917 and 1918 our Government joined with England, France, and other allied governments in the World War for the purpose of attempting to perpetuate these democratic ideals of government; and

Whereas the same forces which menaced the people of the world in the years 1914 to 1918 are again threatening to destroy all decent principles of government; and

Whereas the Governments and citizens of England and France are now engaged in a life-and-death struggle to preserve civilization and democratic forms of government, and to preserve civil liberties; and

Whereas if our former Allies are successful, their efforts will greatly benefit the people of this Government, but if they fail it will be necessary ultimately for us to fight the same forces that now oppose them, and without their aid; and

Whereas it is the opinion of the members of this post that every possible aid should immediately be rendered the Governments of France and England by the Government of the United States and its people: Now, therefore be it

*Resolved, By Harry Harvey Post, No. 14, of the American Legion, of McComb City, Pike County, Miss.:*

SECTION 1. That this post of the American Legion does now definitely reaffirm its loyalty to the democratic ideals of our form of government, and does reaffirm its belief in and loyalty to the principles which our former Allies are now so courageously defending, and we do hereby condemn the efforts now being made by Germany and Italy to destroy civilization, civil liberties, and decency, and we do condemn not only the objectives of Germany and Italy but also the barbaric methods by which they are attempting to obtain victory.

SEC. 2. That the President and Congress of the United States are hereby urged to dedicate all available material resources to the immediate aid of England and France, and that food, metals, supplies, ammunition, airplanes, and other military mechanisms and materials be forthwith furnished them.

SEC. 3. That we pledge our cooperation to the Government of the United States in all efforts undertaken in this behalf, and we endorse the position of the President that we give France and England first call upon every material thing we can produce, and we further urge that every weapon, not indispensable for the preservation of law and order within our own boundaries, and not necessary for our immediate defense, be made available to them, and that other aid, such as extending credit, furnishing food, medical supplies, and money be forthwith given.

SEC. 4. We do especially condemn all un-American activities, forms of propaganda, nazi-ism, fascism, communism, and all other "isms" except Americanism, and we do hereby tender our services to crush and stamp out all un-American practices, including extermination of the so-called "fifth column."

SEC. 5. That this resolution be published as an expression of this post, and in order to sustain the spirit of all loyal Americans, and so that all disloyal citizens and aliens may be solemnly warned that their subversive activities shall not be tolerated.

RESOLUTION OF KIWANIS CLUB, GREENWOOD, MISS.

Mr. BILBO presented a resolution of the Kiwanis Club, of Greenwood, Miss., which was referred to the Committee on Foreign Relations and ordered to be printed in the RECORD, as follows:

Whereas this club, made up of representatives of the leading citizens in all walks of life within this community, feeling the great duty that rests upon us at this time to exemplify our love for the preservation of freedom and democracy in the world; and

Whereas the time has come for every true citizen of this Government to evidence by his action his desire to give 100-percent support with his personal and financial ability to every act and principle of our Government for the preservation of democracy and freedom in the world; and

Whereas we realize that the mongers of destruction abroad in the world are desirous of destroying the best in our civilization: Therefore, be it

*Resolved, That this club hereby express condemnation for those countries and the leaders thereof who are now bringing consternation and suffering to the helpless countries of Europe, that we stamp as shameful and cowardly the totalitarian countries engaged in the conquest of hatred and destruction upon the weak and helpless; be it further*

*Resolved, That we express our full sympathy and approval of the action of Congress of the United States for the support now given to the democracies of Europe and hereby request that the swiftest and fullest support be given that this Government is capable of furnishing without regard for cost or sacrifice: Be it further*

*Resolved, That copies of this resolution be forwarded to Mississippi's Senators and the Congressman from this district.*

REPORTS OF COMMITTEES

Mr. BARKLEY, from the Committee on Interstate Commerce, to which was referred the bill (H. R. 10009) to amend section 13 (d) of the Railroad Unemployment Insurance Act, reported it without amendment and submitted a report (No. 1878) thereon.

He also, from the Committee on the Library, to which was referred the joint resolution (S. J. Res. 258) to provide for the use and disposition of the bequest of the late Justice Oliver Wendell Holmes to the United States, and for other purposes, reported it without amendment.

Mr. BULOW, from the Committee on Civil Service, to which was referred the bill (H. R. 8046) to amend section 1 of the act entitled "An act for the retirement of employees of the Alaska Railroad, Territory of Alaska, who are citizens of the United States," approved June 29, 1936, reported it without amendment and submitted a report (No. 1879) thereon.

Mr. ADAMS, from the Committee on Appropriations, to which was referred the bill (H. R. 10055) making supplemental appropriations for the national defense for the fiscal year ending June 30, 1941, and for other purposes, reported it with amendments and submitted a report (No. 1880) thereon.

Mr. BANKHEAD, from the Committee on Agriculture and Forestry, to which was referred the bill (S. 4098) relating to claims for refund of processing and related taxes, reported it without amendment and submitted a report (No. 1881) thereon.

Mr. PITTMAN, from the Committee on Foreign Relations, to which was referred the bill (H. R. 7254) authorizing the temporary detail of John L. Savage, an employee of the United States, to service under the government of the State of New South Wales, Australia, and the Government of the Punjab, India, reported it without amendment and submitted a report (No. 1882) thereon.

Mr. ELLENDER, from the Committee on Claims, to which were referred the following bills, reported them severally without amendment and submitted reports thereon:

H. R. 6145. A bill for the relief of Elizabeth L. Riley (Rept. No. 1883);

H. R. 6737. A bill for the relief of Clarence D. Green (Rept. No. 1884); and

H. R. 7880. A bill for the relief of Edna Emery (Rept. No. 1885).

Mr. ELLENDER also, from the Committee on Claims, to which was referred the bill (H. R. 8605) for the relief of Mary Janiec and Ignatz Janiec, reported it with an amendment and submitted a report (No. 1886) thereon.

Mr. SCHWARTZ, from the Committee on Claims, to which were referred the following bills, reported them severally without amendment and submitted reports thereon:

H. R. 3925. A bill for the relief of Evelyn L. Ratcliffe (Rept. No. 1887);

H. R. 4148. A bill for the relief of Mary S. Arthur, as executrix of the estate of Richard M. Arthur, deceased (Rept. No. 1888);

H. R. 4412. A bill for the relief of Beatrice Lois Rucker (Rept. No. 1889);

H. R. 5388. A bill for the relief of Thomas Lewellyn and Drusilla Lewellyn (Rept. No. 1890);

H. R. 6889. A bill for the relief of Frances M. Hannah (Rept. No. 1891); and

H. R. 8252. A bill for the relief of John Owen (Rept. No. 1892).

Mr. SCHWARTZ also, from the Committee on Claims, to which was referred the bill (H. R. 7843) for the relief of Clifford J. Williams, reported it with amendments and submitted a report (No. 1893) thereon.

Mr. BROWN, from the Committee on Claims, to which were referred the following bills, reported them severally without amendment and submitted reports thereon:

H. R. 382. A bill for the relief of Gus Roth (Rept. No. 1894);

H. R. 2014. A bill for the relief of Margaret Redmond (Rept. No. 1895);

H. R. 4142. A bill for the relief of Mary Reid Hudson (Rept. No. 1896);

H. R. 5424. A bill for the relief of Mrs. E. J. McCardle (Rept. No. 1897); and

H. R. 7825. A bill for the relief of C. S. Hobson (Rept. No. 1898).

Mr. HUGHES, from the Committee on Claims, to which were referred the following bills, reported them severally without amendment and submitted reports thereon:

H. R. 2070. A bill for the relief of Edwin Forsman (Rept. No. 1899);

H. R. 2489. A bill for the relief of Angie Ward (Rept. No. 1900);

H. R. 3713. A bill for the relief of Joe Carter (Rept. No. 1901); and

H. R. 5569. A bill for the relief of Stuart Bastow (Rept. No. 1902).

Mr. PEPPER, from the Committee on Patents, to which was referred the bill (H. R. 8285) to limit the importation of articles, products, and minerals produced, processed, or mined under process covered by outstanding United States patents, to define unfair trade practices in certain instances, and for other purposes, reported it with amendments and submitted a report (No. 1903) thereon.

#### BILLS AND A JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. SMITH:

S. 4152. A bill to authorize the Secretary of Agriculture to make analyses of fiber properties, spinning tests, and other tests of the quality of cotton samples submitted to him; to the Committee on Agriculture and Forestry.

By Mr. LEE:

S. 4153. A bill for the relief of Clarence Atkins; and  
S. 4154. A bill for the relief of the Charles H. Amos Handle Co.; to the Committee on Claims.

By Mr. MEAD:

S. 4155. A bill to establish an Air Line Pilots' Reserve, and for other purposes; to the Committee on Commerce.

S. 4156. A bill for the relief of the Continental Aerasurveys Corporation; to the Committee on Agriculture and Forestry.

(Mr. HATCH introduced S. 4157, which was referred to the Committee on Privileges and Elections and appears under a separate heading.)

By Mr. NYE (for Mr. FRAZIER):

S. 4158. A bill for the relief of Maj. Harold Sorenson; to the Committee on Claims.

By Mr. CLARK of Missouri:

S. 4159. A bill for the relief of Robert B. Ayers; to the Committee on Claims.

By Mr. ANDREWS:

S. 4160. A bill authorizing the transfer of William Howard Christian to the retired list of the Navy; to the Committee on Naval Affairs.

By Mr. MEAD:

S. J. Res. 281. Joint resolution to determine the nature and effect of economic conditions, statutory provisions, or other restrictions tending to produce unfair or inequitable discrimination on the basis of age in obtaining and retaining employment in public service and private industry, and for other purposes; to the Committee on Education and Labor.

#### FEDERAL ELECTIONS BILL

Mr. HATCH. Mr. President, I am about to introduce a bill as a result of a study made for several months by a committee of the American Bar Association. It relates to Federal elections. This work should not be construed as having met with the approval of the American Bar Association, for the committee has not as yet reported, but the chairman of the committee, Mr. Arthur J. Freund, of St. Louis, Mo., prepared a statement explaining the proposed bill, and also the Federal elections law. I ask unanimous consent that I may introduce the bill for proper reference, and that the bill, with the accompanying statement, be printed in the RECORD.

There being no objection, the bill (S. 4157) to enforce the rights of citizens of the United States in the nomination and election of Senators, Representatives, Electors, the President, and Vice President of the United States, and in any election to amend the Constitution of the United States, was read twice by its title, referred to the Committee on Privileges and Elections, and ordered to be printed in the RECORD, as follows:

*Be it enacted, etc.,* That this act may be cited as the Federal Elections Act.

SEC. 2. The term "election" as used in this act shall mean—  
(a) any primary election, or nominating election, or general election whereby persons are selected, nominated, or elected by and under the authority of the Constitution and the laws of the United States, or by and under the authority of the Constitution or the laws of any State or Territory for the nomination or election of any United States Senator, Representative to the Congress of the United States, Elector of the President or the Vice President of the United States, or the President of the United States, or the Vice President of the United States;

(b) Any election held by and under the authority of the Constitution and laws of the United States, or by and under the authority of the Constitution or laws of any State to vote upon any amendment to the Constitution of the United States

The term "voter" as used in this act shall mean any person lawfully entitled by and under the Constitution of the United States and the laws of the United States or by and under the constitution or the laws of any State or Territory to participate in and vote at any election.

The term "officer of election" as used in this act shall mean any judge, clerk, canvasser, commissioner, or other person whose duty it is or shall be to receive, count, canvass, certify, register, supervise, or report, or give effect to the vote of any voter at any election, or the registration or qualification of any voter for any election.

SEC. 3. It shall be unlawful for any officer of election—

(a) Knowingly, willfully, or fraudulently to refuse or omit to receive, count, certify, register, report, or give effect to the lawful vote of any voter; or

(b) Knowingly, willfully, or fraudulently to give or attempt to give effect to any false or fraudulent vote, or to give or make, or attempt to give or make, any false count, certificate, document, report, or other false evidence in relation to any election.

SEC. 4. It shall be unlawful for any person—

(a) By force, bribery, reward, menace, threat, intimidation, trick, or knowingly, willfully, or fraudulently to hinder, delay, prevent, or obstruct any voter from doing any lawful act required to be done to qualify him to vote or from lawfully voting at any election; or

(b) By any such means or knowingly, willfully, or fraudulently advise, aid or abet, maintain, or procure, or attempt to maintain or to procure the placing, registration, or enrollment of any false, fraudulent, unlawful, or fictitious name or names upon the election rolls, poll books, books or documents of registration or election, or any other records of registration or election used or intended to be used at any election by any officer of election as a list or designation of lawfully qualified voters; or

(c) By any such means or knowingly, willfully, or fraudulently to compel or induce, or attempt to compel or induce any officer of election to receive the vote at any election of any person not lawfully entitled to vote at such election; or

(d) By any such means or knowingly, willfully, or fraudulently to counsel, advise, induce, or attempt to induce any officer of election to give or make any false count, certificate, document, report, or other false evidence in relation thereto, or to refuse or neglect to comply with his duties prescribed by law at any election, or to refuse the vote of any person lawfully entitled to vote in such election, or to violate any law regulating such election; or

(e) By any such means or knowingly, willfully, or fraudulently to obstruct, interfere with, delay, or hinder in any manner any officer of election in the lawful discharge of his duties at any election.

SEC. 5. It shall be unlawful for any person, at any election, falsely to impersonate a voter or other person, and vote, or attempt to vote, or offer to vote in or upon any name not his own, or to vote, or attempt to vote, or offer to vote, in or upon the name of any other person living or dead, or in or upon any assumed or fictitious name; or knowingly, willfully, or fraudulently to vote or attempt to vote or offer to vote more than once at the same election, except as authorized by law, or knowingly, willfully, or fraudulently to vote, or attempt to vote, or offer to vote in an election or at a place where he is not lawfully entitled to vote.

SEC. 6. If two or more persons enter into an agreement, confederation, or conspiracy to violate any of the foregoing provisions of this act, and do any overt act toward carrying out such unlawful agreement, confederation, or conspiracy, such person or persons shall be punished in the manner as hereinafter provided by this act.

SEC. 7. The sole purpose of this act is to secure to the citizens of the United States the honest and lawful conduct of elections which affect the selection of United States Senators, Representatives to the Congress of the United States, United States Presidential and Vice-Presidential electors, the President and Vice President of the United States, and the adoption or rejection of proposed amendments to the Constitution of the United States. None of the provisions of this act shall be deemed or construed to apply to elections other than such elections, or to any acts or conduct of election officials or other persons which do not affect the nomination, selection, or election of any United States Senator, Representative to the Congress of the United States, United States Presidential or Vice-Presidential electors, or the President or Vice President of the United States, or the adoption or rejection of any amendment to the Constitution of the United States.

SEC. 8. Any person committing any offense defined in this act shall be fined not more than \$5,000 or imprisoned not more than 10 years, or both.

SEC. 9. If any provision of this act, or the application of any such provision to any person or circumstance, shall be held invalid, the remainder of this act, or the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

The statement presented by Mr. HATCH in connection with the bill was ordered to be printed in the RECORD, as follows:

#### FEDERAL ELECTIONS LAW

In the early part of 1939 a committee on Federal election laws was appointed by the Criminal Law Council of the American Bar Association. The committee consisted of Henry W. Toll, of Denver, Colo.; George R. Jeffrey, of Indianapolis, Ind.; Hon. John B. Sanborn, of St. Paul, Minn., judge of the United States Circuit Court of Appeals for the Eighth Circuit; and Arthur J. Freund, of St. Louis, Mo., chairman. This committee was assisted by Hon. Albert L. Reeves and Hon. Merrill E. Otis, judges of the United States District Court for the Western District of Missouri.

It was noted that under the present state of the Federal law there could be a national conspiracy formed and carried out to fraudulently elect the President and Vice President of the United States without the violation of any Federal law. Furthermore, there is no

Federal law to reach fraud and corruption in the nomination or selection of United States Senators and Representatives for Congress. The present Federal law pertaining to the election of these officers is wholly deficient for the reason that there is no direct legislation dealing with fraudulent practices at any election.

The committee was charged with the duty of preparing a proposed bill to insure to United States citizens, as far as possible, that elections in which national officers or national questions were to be voted upon should be honestly conducted.

The committee has prepared a proposed bill styled the "Federal Elections Act" to remedy existing defects in the law pertaining to the nomination and election of Federal officers, by denouncing as Federal offenses dishonest acts which affect the vote upon Federal officers, including the President and Vice President of the United States, and upon national questions upon which there may be a popular election.

This proposed Federal elections law is the result of much thought and careful study. It has received the approval of all of the members of the committee and of Judge Reeves and of Judge Otis, as well as many other members of the bench and bar.

It is not a matter of common knowledge, even among members of the bar, that the only Federal law on the subject of election frauds, except the narrow provisions of the Corrupt Practices Act (2 U. S. C. A., par. 241-254) and the Hatch Act (U. S. C., Current Service, 1939, No. 10, pp. 1242-1244), is section 19 of the Criminal Code (18 U. S. C. A., par. 51), a conspiracy section, which, among other things, makes it a Federal offense if two or more persons conspire to injure, oppress, threaten, or intimidate any citizen in the free exercise or enjoyment of any right or privilege secured to him by the Constitution or laws of the United States. It was under this section that the Kansas City prosecutions for fraudulent practices at the 1936 general election were based (*Walker v. United States*, 93 F. (2d) 383, and other opinions in the same volume). It was held in the *Walker* case that a conspiracy to fraudulently select presidential electors at an election does not come within the purview of the present Federal statutes. This was a direct holding to the effect that there is no Federal law which denounces as a crime fraudulent practices or criminal conspiracies in the election of a President or Vice President of the United States. Furthermore, there is no Federal law which makes it a Federal offense to commit vote frauds or to carry on fraudulent conspiracies at primary elections wherein nominees for the offices of United States Senators and Members of Congress are nominated at general primary elections.

The conspiracy section in the present Federal law is section 19 of the Criminal Code (sec. 5508, R. S., 18 U. S. C. A., par. 51), which reads as follows:

"If two or more persons conspire to injure, oppress, threaten, or intimidate any citizen in the free exercise or enjoyment of any right or privilege secured to him by the Constitution or laws of the United States, or because of his having so exercised the same, or if two or more persons go in disguise on the highway, or on the premises of another, with intent to prevent or hinder his free exercise or enjoyment of any right or privilege so secured, they shall be fined not more than \$5,000 and imprisoned not more than 10 years, and shall, moreover, be thereafter ineligible to any office or place of honor, profit, or trust created by the Constitution or laws of the United States."

It will be seen from the above section that it does not specifically apply to election offenses; it does not denounce as a crime the impersonation of voters, multiple voting, bribery or intimidation of voters, or the numerous other devices and practices common to vote stealing. Further, and what is of utmost importance, it does not define as an offense a conspiracy to fraudulently affect the vote for the President or Vice President of the United States. It was held in the *Walker Case*, supra (93 F. (2d) at 388, loc. cit.), that inasmuch as the Federal Constitution does not provide that the selection of electors shall be by popular vote, or that electors shall be voted for upon a general ticket, or that the majority of those who exercise the elective franchise can alone choose the electors, a conspiracy to fraudulently select Presidential electors at an election does not come within the purview of the present Federal statute. It was pointed out in that opinion that the Federal Constitution leaves it to the State legislature to define the methods of effecting the object, and that as an elector is a State officer the Federal act referred to does not pertain to the office of an elector for the President or Vice President of the United States. There seems to be no doubt that the Federal Government has this right, if it chooses to exercise it, but under the present state of the law there could be a national conspiracy formed and successfully carried out to fraudulently elect the President and Vice President of the United States without the violation of any Federal law.

#### HISTORY OF PRIOR LEGISLATION

On May 31, 1870, Congress passed a law containing a series of sections, the whole act being entitled "An act to enforce the right of citizens of the United States to vote in the several cities of this Union, and for other purposes" (16 Stat. L. 140-146). Section 6 of this act included what, with some alterations, is now section 19 of the Criminal Code. Among the substantive acts which were prohibited and made offenses were those of interfering with any election officer, or inducing any such officer, whose duty it was to ascertain, announce, or declare the result or to make any certificate, document, or evidence relative thereto, to violate his duty (sec. 19). It was made an offense for any such election officer to neglect or to refuse to perform any of his duties, or to do any unauthorized act with intent to "affect such election or the result thereof"; or to "fraudulently make any false certificate of the result of such election"; or to withhold, conceal, or destroy any required certificate

pertaining to such election; or to neglect or refuse to make a return the same as required by law; or to omit to do any required duty; or to counsel, procure, etc., the same to be done (sec. 22). It was also made an offense to impersonate and vote for any person living, dead, or fictitious, to vote more than once, to vote without lawful right, to bribe a voter, etc. (sec. 19).

There were numerous other provisions dealing with the elective franchise, fraudulent registration, obstructing execution of process, conspiracy to deprive persons of the equal protection of the laws, conspiracy to prevent the support of any candidate, provisions relative to supervisors of elections, etc.

July 14, 1870, and more extensively later, on June 10, 1872, Congress passed laws making provisions for the supervision of elections by supervisors appointed by the Federal courts (16 Stat. at L. 254-255; 17 Stat. at L. 347-349).

Section 6, the present section 19 of the Criminal Code, remained in its original form until the revision of 1874, when the laws of the United States were revised and codified. In the revision, it became section 5508, Revised Statutes.

However, on February 8, 1894, Congress repealed all of the portions of the May 31, 1870, act which made offenses the various substantive acts in connection with the election franchise, and also repealed the laws providing for Federal supervisors of elections (28 Stat. at L. 36).

The history of this legislation and kindred legislation is traced in the opinions in *United States v. Gradwell* (243 U. S. 476); *United States v. Bathgate* (246 U. S. 220); and *United States v. Mosley* (238 U. S. 383).

#### THE PROPOSED LEGISLATION DOES NOT CHANGE THE LAW OF ANY STATE

It is, of course, well recognized that a great deal of fraud in elections having to do with Federal officers is committed at primary elections, and the importance of primary elections in the selection of proper officials needs no emphasis. It is the opinion of the committee that Federal election laws should properly have to do not only with the general election of Federal officers, but with the primary election for such officers.

The proposed legislation changes no present State law; it adds no new duty or additional burden upon election officials. It merely provides that it shall be a Federal offense if such elections are dishonestly conducted where the vote upon a national officer or national question is affected.

#### SUBSTANCE OF THE PROPOSED LEGISLATION

The bill provides in substance that an election shall be defined to mean any primary or general election held under the laws of any State or Territory or under the laws of the United States for the nomination or election of any Representative or Senator, any elector of or direct vote for the President or Vice President. It is made an offense for any election official to fraudulently miscount or tabulate the result of any such election. It is further made an offense for any person by force, bribery, threat, or any such other means to prevent or obstruct a voter from voting or from qualifying him to vote; to fraudulently pad the election rolls to be used at a Federal election; or to fraudulently induce an election official to receive an illegal vote or to refuse a legal one.

It is also made an offense for any person to willfully or fraudulently impersonate a voter or to vote in any fictitious name or to vote more than once or to vote in an election or at a place where he is not entitled to vote. A conspiracy of two or more persons to violate the act is further denounced as an offense.

The act specifically provides that its sole purpose is to secure to the citizens of the United States the honest and lawful conduct of elections which affect the selection of United States Senators, Representatives to the Congress of the United States, United States Presidential and Vice Presidential electors, the President and Vice President of the United States, and the adoption or rejection of proposed amendments to the Constitution of the United States. It is provided that none of the provisions of the act shall be deemed or construed to apply to elections other than such elections, or to any acts or conduct of election officials or other persons which do not affect the nomination, selection, or election of any United States Senator, Representative to the Congress of the United States, United States Presidential or Vice Presidential elector, or the President or Vice President of the United States, or the adoption or rejection of any amendment to the Constitution of the United States.

The punishment provided is a fine of not more than \$5,000 or imprisonment for not more than 10 years, or both.

#### IMPORTANCE OF THE PROPOSED LEGISLATION

It is of the highest importance to note that the Federal Government in no way changes the election laws of any State or any subdivision thereof. It is the opinion of all right-thinking persons that such laws, however, should be honestly administered. The bill proposes that this be done so far as it is within the powers of the Federal Government to make it so.

Upon the proposed draft of the Federal Elections Act, Judge Reeves writes:

"It is my opinion that your bill quite admirably covers all of the matters desired to be included in a good election law. This bill should be passed by the Congress."

Judge Otis likewise gives his opinion as follows:

"I have carefully considered the proposed bill prepared by your committee \* \* \* to enforce the rights of citizens of the United States in the nomination and election of Senators, Representatives, and Presidential electors. I am decidedly in favor of the adoption of this bill as law. The Federal judges in Kan-

sas City have had, perhaps, more intimate experience with attempts to defeat the rights of citizens in elections than have any other judges in the country. The present laws are certainly inadequate to protect the rights of citizens. Under the present laws great things have been accomplished here in Kansas City, but the difficulties have been apparent and the narrow field in which it is possible for the Department of Justice to operate has been especially apparent. It is difficult to conceive of any reason why there should not be jurisdiction in the Federal courts to protect the rights of all citizens in all elections in which Federal officials are nominated or chosen for public office."

Judge Reeves and Judge Otis are the judges who presided at the Kansas City election fraud conspiracy cases, and they are wholly and acutely aware of the present Federal law on the subject of election frauds and its deficiencies.

Judge John B. Sanborn, of the United States Court of Appeals for the Eighth Circuit, wrote the major opinions in the Kansas City cases. He is a member of the committee which drafted the proposed legislation, and he actively assisted in the preparation of the bill.

#### CONSTITUTIONALITY OF THE PROPOSED LEGISLATION

The committee which prepared this bill is of the opinion that the Congress has the constitutional right to enact legislation having to do with the primary election of Representatives for Congress and United States Senators. It may be thought by some that in view of the decision in *Newberry v. United States* (256 U. S. 232), there is no constitutional authority for Federal legislation having to do with primary elections. But, in the *Newberry* case the dissenting opinions written by Chief Justice White and Mr. Justice Pitney appear to be not only persuasive but conclusive arguments that the election process commences at the time a candidate first begins to seek nomination and continues until the votes in the general election have been cast and counted. The basis of the system of control provided in this proposed bill rests fundamentally upon its relation to elections at which United States Senators and Representatives are chosen. It has repeatedly been held that in order to preserve the integrity of such elections the Congress may assert almost any degree of control which it finds necessary to prevent election frauds and corruption.

It is the opinion of the committee that the United States Supreme Court would sustain the proposed act as constitutional as it affects primary and general elections, and elections affecting the President and Vice President and national questions.

#### INADEQUACY OF THE PRESENT LAW

A mere reading of the present conspiracy section (section 19) demonstrates its present inadequacy to fulfill the objects sought to be reached by the proposed bill. Indictments based upon the same section have been drawn where homesteaders were interfered with in their rights, *Buchanan v. United States* (233 Fed. 257), where there was a conspiracy to deprive a postmaster of his right to enjoy his office, *McDonald v. United States* (9 Fed. (2d) 506); where conspirators attacked a rancher on public land scattering and killing sheep, *James v. United States* (6 Fed. (2d) 545), and where there was an alleged conspiracy to injure, oppress, and threaten a citizen in the free exercise of his right to speak and publish his views in a newspaper, *Powe v. United States* (109 F (2d) 147). A statute so general in its terms is quite inadequate to cover our present situation regarding fraudulent elections.

It seems quite obvious that if vote stealing at Federal elections is to become widespread, or if such practices are to become national in scope, the last hope of a democracy has failed.

The proposed bill was approved by the Criminal Law Council of the American Bar Association at its meeting in Chicago in January of this year. The matter was then presented, in the general form of a resolution approving the principle for which the bill stands, to the house of delegates of the association. This resolution was debated upon the floor of the house of delegates of the association and, by a vote of 57 to 50, the resolution was sent back to the criminal law section of the association for further study. It cannot be said that the proposed bill has the sanction or approval of the American Bar Association, although it is likely that the matter will be again presented to the house of delegates of the association at its annual meeting in Philadelphia in September of this year.

No more important subject confronts the American people in the conduct of its internal affairs than the sanctity of its elections. It is believed that the proposed bill, when enacted into law, will be a progressive and effective forward step in assuring to the people of the United States that Federal elections will be honestly conducted.

#### AMENDMENT OF DISTRICT UNEMPLOYMENT COMPENSATION ACT—AMENDMENT

Mr. TYDINGS submitted an amendment intended to be proposed by him to the bill (H. R. 9791) to amend the District of Columbia Unemployment Compensation Act, which was ordered to lie on the table and to be printed.

#### REGULATION OF INVESTMENT COMPANIES AND ADVISERS—AMENDMENTS

Mr. WAGNER submitted sundry amendments intended to be proposed by him to the bill (S. 4108) to provide for the registration and regulation of investment companies and investment advisers, and for other purposes, which were ordered to lie on the table and to be printed.

THE AMERICAN ALIEN—ADDRESS BY SOLICITOR GENERAL FRANCIS BIDDLE

[Mr. SCHWARTZ asked and obtained leave to have printed in the RECORD a radio address on The American Alien, delivered by Hon. Francis Biddle, Solicitor General of the United States, which appears in the Appendix.]

ADDRESS BY GIFFORD PINCHOT AT EIGHTH AMERICAN SCIENTIFIC CONGRESS

[Mr. NORRIS asked and obtained leave to have printed in the RECORD an address on the subject of conservation as a foundation of permanent peace, delivered by Gifford Pinchot at the Eighth American Scientific Congress, May 11, 1940, which appears in the Appendix.]

HOW STRONG IS OUR FIGHTING SPIRIT?—ARTICLE BY FRANK C. WALDROP

[Mr. CLARK of Missouri asked and obtained leave to have printed in the RECORD an article by Frank C. Waldrop, published in the Washington Times-Herald of today, entitled "How Strong is Our Fighting Spirit?", which appears in the Appendix.]

ADDRESS BY DR. BRENDAN BROWN TO NEW YORK EDUCATIONAL GUILD

[Mr. MEAD asked and obtained leave to have printed in the RECORD the address delivered by Dr. Brendan Brown, professor of law, Catholic University, at the breakfast of the New York Educational Guild on June 9, 1940, at Capitol Park Hotel, Washington, D. C., which appears in the Appendix.]

LIST OF EDITORIALS FAVORING TERMINATION OF FOREIGN-SILVER PURCHASES

[Mr. TOWNSEND asked and obtained leave to have printed in the RECORD a list of editorials relating to the vote in the Senate approving Senate bill 785, to terminate the purchase of foreign silver, which appears in the Appendix.]

STATEMENT OF POLICY OF AMERICAN FARM BUREAU FEDERATION

[Mr. BANKHEAD asked and obtained leave to have printed in the RECORD a statement of policy formulated by the board of directors of the American Farm Bureau Federation to serve as the basis for planks to be recommended to the national party conventions, which appears in the Appendix.]

ARTICLE FROM WHEELING INTELLIGENCER ON SENATOR HOLT

[Mr. HOLT asked and obtained leave to have printed in the RECORD an article by Charles Brooks Smith published in the Wheeling Intelligencer of June 18, 1940, under the heading "Senator HOLT Vindicated," which appears in the Appendix.]

IS OUR POSITION CLEAR?—EDITORIAL FROM WASHINGTON POST

[Mr. NYE asked and obtained leave to have printed in the RECORD an editorial from the Washington Post of today entitled "Is Our Position Clear?", which appears in the Appendix.]

AND THEY WERE UNPREPARED—EDITORIAL FROM SATURDAY EVENING POST

[Mr. NYE asked and obtained leave to have printed in the RECORD an editorial from the Saturday Evening Post of June 22, 1940, entitled "And They Were Unprepared," which appears in the Appendix.]

ARTICLE ENTITLED "LEARN BY OUR FOLLY," BRITISH PAPER URGES UNITED STATES"

[Mr. LEE asked and obtained leave to have printed in the RECORD an article entitled "Learn by Our Folly," British Paper Urges United States," which appears in the Appendix.]

ONE WAY TO DEAL WITH FRENCH POSSESSIONS IN THE CARIBBEAN—EDITORIAL FROM CHICAGO DAILY NEWS

[Mr. GURNEY asked and obtained leave to have printed in the RECORD an editorial from the Chicago Daily News of June 18, 1940, entitled "One Way to Deal With French Possessions in the Caribbean," which appears in the Appendix.]

TAX LEGISLATION—ADDRESS BY SENATOR WILEY

[Mr. WILEY asked and obtained leave to have printed in the RECORD a radio address delivered by him on the American Forum of the Air on June 2, 1940, which appears in the Appendix.]

EXCERPTS FROM WRITINGS AND SPEECHES OF BRITISH AMBASSADOR

[Mr. LUNDEEN asked and obtained leave to have printed in the RECORD certain excerpts from the writings and speeches of the British Ambassador, which appear in the Appendix.]

BROADCASTS AS AID IN DEFENSE

[Mr. THOMAS of Utah asked and obtained leave to have printed in the RECORD an article from the New York Times of June 9, 1940, entitled "Urge Broadcasts as Aid in Defense," which appears in the Appendix.]

SCROLL OF MERIT AWARDED TO THEODORE GRANIK

[Mr. MEAD asked and obtained leave to have printed in the RECORD a press statement issued by the United States Junior Chamber of Commerce on June 17, 1940, the text of the scroll of merit awarded to Mr. Theodore Granik, director of the American Forum of the Air, and Mr. Granik's reply, which appear in the Appendix.]

A NEW DEAL GESTAPO?

Mr. TOBEY. Mr. President, I desire at this time to read a letter which I have mailed to Stephen Early, the Secretary to the President, which sets forth a reprehensible incident authorized by the President, which took place 4 years ago at the time of the last Republican National Convention in Cleveland, and one which I believe should see the light of day. Therefore I read this letter:

JUNE 19, 1940.

HON. STEPHEN EARLY,

*Secretary to the President, the White House.*

DEAR MR. EARLY: There has recently been placed in my hands a signed statement by one who served in an official capacity as confidential agent in the Department of the Interior, which states that at the time of the last Republican National Convention, six official investigators of the Department of Interior, acting under orders of the White House, made a secret visit to the convention at Cleveland to do undercover work. I am advised that among these official investigators were Messrs. Nelson D. Zimmerman, George F. Hurley, Eric G. Peterson, and Richard J. McCormick.

It is unfortunate that in America the party in power should make use of the taxpayers' money for such a purpose and in view of the approaching convention and the possibility of a repetition of these tactics, I am writing to advise that, for the first time in history, the events of the Republican National Convention will be televised, the platform made public, and in addition to this, as a delegate to the convention, I will be glad, in order to save the White House from repeating this incident with public funds, to visit the White House after the convention is over and report to you or to the President what took place.

I assure you that, after the convention is over, you will have learned that the Republican Party adopted a platform providing for real security for the rank and file of our citizens and nominated for the Presidency one who will be elected in November and who, as President, will turn us back from the road to war and on the road to the American way of life. Equally as important, he will turn back to the people's representatives in Congress, those powers which, under our American form of government, belong to the people and not to any one man.

Sincerely yours,

CHARLES W. TOBEY.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chaffee, one of its reading clerks, announced that the House had agreed to the amendments of the Senate to the bill (H. R. 1827) to allow moving expenses to employees in the Railway Mail Service.

The message also announced that the House had agreed to the amendment of the Senate to the bill (H. R. 9958) to authorize the purchase by the Reconstruction Finance Corporation of stock of Federal home-loan banks; to amend the Reconstruction Finance Corporation Act, as amended, and for other purposes.

The message further announced that the House had passed the following bill and joint resolution, in which it requested the concurrence of the Senate:

H. R. 10104. An act making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1940, and prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1940, and June 30, 1941, and for other purposes; and

H. J. Res. 556. Joint resolution approving nonrecognition of the transfer of any geographic region in the Western Hemi-

sphere from one non-American power to another non-American power, and providing for consultation with other American republics in the event that such transfer should appear likely.

ENROLLED BILLS SIGNED

The message also announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the President pro tempore:

H. R. 9117. An act to eliminate the tax on brandy and wine spirits used in the fortification of wine, to increase the tax on wine, to compensate for the loss of revenue occasioned by the elimination of the tax on brandy and wine spirits used in the fortification of wine, and for other purposes; and

H. R. 9909. An act to amend sections 2803 (c) and 2903 of the Internal Revenue Code.

REVENUE BILL OF 1940

The Senate resumed the consideration of the bill (H. R. 10039) to provide for the expenses of national preparedness by raising revenue and issuing bonds, to provide a method for paying for such bonds, and for other purposes.

Mr. O'MAHONEY. Mr. President, as I understand the parliamentary situation, the pending question is the amendment of the Senator from Maryland [Mr. TYDINGS] as a substitute for the amendment reported by the Committee on Finance with respect to the reduction of Government expenditures.

When the session was closing last evening I had objected to the original amendment reported by the committee, and to the substitutes offered by the Senator from Maryland, on the ground that in each instance these amendments gave no assurance whatsoever as to where the proposed reductions would be made; that if adopted they would amount to a surrender of the authority of the legislative body, and Congress would have no supervisory power whatever over the curtailment. I therefore hastily drafted upon the desk a substitute which I asked the Senator from Maryland to accept in lieu of the amendment he had offered. I could not offer it, as I understood, from the parliamentary point of view, as an amendment to his amendment, because it would be an amendment in the third degree. I therefore ask the Senator from Maryland if he is willing to withdraw his amendment and allow this one to be substituted for it.

Mr. TYDINGS. Mr. President, what would happen in the event the amendment of the Senator from Wyoming should be voted down? Would my amendment still be in order?

Mr. O'MAHONEY. If the Senator were to withdraw his amendment I think it would be in order; but that is a question for the Chair to decide.

The VICE PRESIDENT. If the Senator should withdraw the amendment, it would be in order for him to reoffer it.

Mr. TYDINGS. Then I will withdraw it temporarily, and give the Senator from Wyoming a chance to offer his amendment.

Mr. O'MAHONEY. Mr. President, I think the matter has been sufficiently discussed. I offer the amendment which I now send to the desk.

Mr. TYDINGS. Mr. President, will the Senator from Wyoming yield?

Mr. O'MAHONEY. I yield.

Mr. TYDINGS. Before the amendment is read—and I think I am familiar with its contents—let me ask the Senator whether it is not his interpretation of the amendment that if the Senate should adopt it forthwith, the Committee on Appropriations must review the appropriation bills already passed and to be passed and take out of them under a mandatory direction 10 percent of the nondefense expenditures, fixed charges and so on eliminated? Is that correct?

Mr. O'MAHONEY. The Senator is not exactly correct. The amendment would have to go to conference and would have to be approved by the House of Representatives. Of course, the Senate could adopt a resolution instructing its own committee, but that would not be a particularly effective

thing to do, since, if we are to have effective action, I feel it must be taken by both Houses of Congress.

Mr. TYDINGS. Of course, my question presupposed that the other House would concur, and that it would be signed and become a law. It was my interpretation of the amendment, and of the remarks of the Senator, that if the amendment ran the legislative gantlet successfully the Committees on Appropriations of both Houses, acting separately, would immediately revamp the appropriation bills passed and to be passed to effect the savings within the limitations set forth. Is that correct?

Mr. O'MAHONEY. There is nothing in the amendment, as I drafted it hastily yesterday, which fixes a time limit. If it were desired to fix a specific date by which time a report should be made to the Congress, that would have to be written into the amendment.

Mr. TYDINGS. Would the Senator object to inserting an amendment which would compel the work to be done prior to January 1, 1941?

Mr. BYRD rose.

Mr. O'MAHONEY. I should be very glad to accept such a suggestion, and I will now offer it, prior to the statement of the Senator from Virginia.

Mr. BYRD. Let me say to the Senator from Maryland that if we postpone any reduction of present appropriations to January 1 it will mean a delay of 6 months before the reduction would apply, and one-half of possible savings would be lost.

Mr. TYDINGS. That is true, but the committee would have to have some time to do the work.

Mr. BYRD. Let me suggest to the Senator from Maryland that we are to remain in session, we are not to adjourn, and the committee could report in 30 days.

Mr. TYDINGS. Mr. President, will the Senator from Wyoming yield to me?

Mr. O'MAHONEY. I yield to the Senator from Maryland.

Mr. TYDINGS. It was not my idea, I will say to the Senator from Virginia, that the committee would not report before January 1, 1941. It was my idea that they must make their report before that time, in a month or two months, if they could do it.

Mr. BYRD. If January 1, 1941, should be fixed as the limit, that would be the time when the report would be made.

Will the Senator from Wyoming yield to me a moment further?

Mr. O'MAHONEY. I yield.

Mr. BYRD. In the debate yesterday I stated that I expected to offer an amendment similar to the amendment offered by the Senator from Wyoming.

Mr. O'MAHONEY. Mr. President, I did not hear that statement of the Senator, and had I known that he had written or was about to write such an amendment, I would not have attempted to take precedence, as it were.

Mr. BYRD. I fully understand that. After the Senator from Kentucky has cut the enacting clause out of the mandatory economy provision, I am willing to accept any proposal which may lead to some economy in the nondefense appropriations, although I think that a mandatory reduction, such as was first proposed, would have been very much more effective, and would have been certain to obtain results.

After the clerk has read the amendment of the Senator from Wyoming, I should like to have him read the amendment which has been prepared at my suggestion by the legislative counsel, in the hope that the Senator from Wyoming, while I have no desire whatever to take away from him the authorship of the amendment, may accept at least two features of the amendment proposed by the Senator from Virginia, namely, that there be a joint congressional committee appointed, to consist of so many members from each of the Committees on Appropriations—

Mr. O'MAHONEY. Mr. President, if I may interrupt the Senator, I doubt the advisability of the appointment of such a joint committee, for the reason that the proposal is being

made in this body now. The House of Representatives has a Committee on Appropriations, and I doubt whether it would be good tactics, or the proper course of procedure, for this body to suggest a joint committee without first having received the approval of the Committee on Appropriations of the House. If it is desired that a joint committee be appointed, that can be done by the conferees.

Mr. BYRD. The difficulty I can see about the course proposed by the Senator from Wyoming is that he proposes two committees to make suggestions as to reductions, acting separately and independently. I think that it would be very difficult to operate in that way.

The next suggestion I wanted to make to the Senator was that the committee should report to the Senate and House of Representatives within 30 days after the enactment of the joint resolution.

Mr. O'MAHONEY. I was about to suggest, following the remarks of the Senator from Maryland, that the amendment might be amended so as to require that the report be made on or before September 1. Would that be satisfactory to the Senator from Virginia?

Mr. BYRD. That would be satisfactory.

Mr. O'MAHONEY. I modify the amendment, to insert after the word "report", in line 4, the words "on or before September 1, 1940."

Mr. TYDINGS. Mr. President, will the Senator from Wyoming yield?

Mr. O'MAHONEY. I am glad to yield.

Mr. TYDINGS. I think the Senator from Wyoming has been very constructive throughout the debate, and his amendment certainly is constructive and designed to accomplish the purpose, and to meet certain well-founded objections.

What I am about to say I do not want to be taken as a reflection on the purpose or the method proposed, but I make this observation to the Senator from Wyoming as to what will probably happen: When the committee brings in its report, we should not be too optimistic of savings being accomplished, because every group affected will immediately get in contact with some of us in an endeavor to show why the appropriation for their particular activity should not be reduced. I say now that I shall be agreeably surprised if the report of the Committee on Economy, so-called, accomplishes any result whatsoever. I really believe that a 3 percent mandatory reduction would probably save more money than we think may be saved by the well-intentioned and well-presented amendment now offered by the Senator from Wyoming, because in the House they will have one opinion, in the Senate we will have another opinion; there will be a divergence of opinion; the joint resolution will have to be signed by the President; Senators themselves will fall out over the manner and method of the economy; and in the end we will probably get no economy.

Mr. BYRD. Mr. President, with the permission of the Senator from Wyoming, I should like to ask that, for the information of the Senate, the clerk read the amendment prepared by the Senator from Virginia, not for the purpose of displacing the amendment offered by the Senator from Wyoming.

Mr. O'MAHONEY. I suggest that the amendment which I sent to the desk be stated first, and then that the amendment of the Senator from Virginia be stated.

The PRESIDENT pro tempore. The clerk will state the amendment offered by the Senator from Wyoming.

The LEGISLATIVE CLERK. It is proposed to insert in lieu of section 403, as amended, the following:

Sec. 403. The Committees on Appropriations of the Senate and House of Representatives are hereby directed to review the appropriation bills for the fiscal year ending June 30, 1941, and to report on or before September 1, 1940, such amendments thereto as will effect a total reduction of \$500,000,000 in the civil expense of the Government without impairing efficiency.

The PRESIDENT pro tempore. The clerk will now state the amendment proposed by the Senator from Virginia [Mr. BYRD].

The LEGISLATIVE CLERK. It is proposed to insert in lieu of section 403, as amended, the following:

Sec. 403. There is hereby established a joint congressional committee to be composed of — Members of the Senate who are members of the Senate Committee on Appropriations, to be appointed by the President of the Senate, and — Members of the House of Representatives who are members of the House Committee on Appropriations, to be appointed by the Speaker of the House of Representatives. A vacancy in the joint committee shall not affect the powers of the remaining members to execute the functions of the joint committee and shall be filled in the same manner as the original selection.

(b) The joint committee shall review House Joint Resolution 544 and all general appropriation bills for the fiscal year ending June 30, 1941, and shall report to the Senate and the House of Representatives within 30 days after the date of the enactment of this act recommendations, with respect to the appropriations contained in such resolution and bills, for an aggregate reduction of \$500,000,000 in such appropriations. Appropriations for national defense purposes shall not be included in such recommendations.

(c) The joint committee, or any subcommittee thereof, shall have power to hold hearings and to sit and act at such times as it deems advisable. The joint committee is authorized to utilize the services, information, facilities, and personnel of the departments and agencies in the Executive branch of the Government.

(d) The authority conferred by this section shall expire on the date of submission of the above-mentioned recommendations to the Congress.

Mr. O'MAHONEY. Mr. President, I think this matter has been sufficiently discussed so that it is clear to all Senators, and I have no desire to take further time.

Mr. OVERTON. Mr. President, will the Senator yield?

Mr. O'MAHONEY. I yield.

Mr. OVERTON. I should like to ascertain from the Senator, if I may, what his view is as to the practical operation of the amendment if it were enacted. I notice on the last page of the calendar of business a column giving the status of the appropriation bills. I observe that there have been considered by the two Houses at this session of Congress the following appropriation bills: Independent offices, 1941; urgent deficiency, 1940; Treasury and Post Office, 1941; Agricultural Appropriation Act, 1941; State, Commerce, and Justice, 1941; first deficiency, 1940; Interior Department, 1941; legislative, 1941; Labor, Federal Security, 1941.

There is being reported today by the Committee on Appropriations of the Senate another deficiency or emergency bill.

As I construe the amendment, the various appropriation bills which have already been considered by both Houses will be referred to the Appropriations Committees, and if the Appropriation Committees perform the duties prescribed by the amendment it will be necessary for the several bills to be referred to the usual subcommittees which have already made a study of them; they would be set down for hearings, and hearings would be had in order intelligently to revise the appropriation items contained in each bill in order to carry out the purposes of the amendment.

I am forced to the conclusion that the probability is that about as much time would be taken up in revamping and revising the bills which have already been so carefully considered by both Houses, and the Appropriations Committees of both Houses, as was consumed in the original consideration of the bills.

If the Senator from Wyoming has a shorter cut toward a revision of these bills so as to effect the 10 percent or other reduction in the total amount of appropriations for civil functions, I should like to be advised.

Mr. O'MAHONEY. Mr. President, I do not think it would be necessary for the committees to go through all the procedure outlined by the Senator from Louisiana. I rather conceive that, in the interest of expeditious action, if the conferees did not determine upon a joint committee, as they might very well do, each of the committees, by submitting the appropriation bills to the budget officers of the respective departments, could very speedily obtain recommendations or suggestions from the departments as to where cuts might most readily be made.

I have in mind very clearly an action on the part of one of the subcommittees of the Senate Committee on Appropriations a couple of years ago when the matter of reducing expenditures was under consideration. It called upon one of

the departments to make forthwith a suggestion to the committee as to where cuts could most effectively be made without impairing the efficiency of the department, and, as I recall, the report was received by the committee within 3 days.

Mr. OVERTON. Mr. President, if that statement be correct, and the matter would be handled as expeditiously as that; and the committee would accept the Budget estimates of reduction, then I think it would be infinitely preferable to adopt the amendment suggested by the Senator from Virginia and reported by the committee, requiring a 10-percent reduction, because as the Senator from Wyoming himself pointed out yesterday, the estimates of reduction would be made by the Bureau of the Budget and submitted to the President for his approval. That is the expeditious way.

Mr. O'MAHONEY. The whole point of the amendment is that the responsibility shall be upon Congress and the work shall be done by Congress, which knows what it wants when it makes the appropriations, and that we shall not be obliged to accept whatever may be handed to us by the Bureau of the Budget.

Mr. OVERTON. I should say in reply to the Senator from Wyoming that if we meet our responsibility we will not accept the estimates submitted by the Bureau of the Budget, but we will set down all the different items for hearings again, and we will go through the same processes under which we reported the original bills. There is no escape from that conclusion.

Certainly the Department of the Interior should be heard on a question of the reduction of its appropriations. The State Department and other departments of the Government should also be heard. They would be entitled to hearings. We ought to give the same number of days to hearings, and take the same amount of testimony as was presented in connection with the consideration of the original bills.

Mr. O'MAHONEY. Mr. President, I think the Senator from Louisiana is making it appear unnecessarily difficult. The hearings have just been held. We have the record of the hearings. The various subcommittees now know upon what they acted. I think it would be a comparatively simple matter for Congress to undertake to make the cut if it desired to do so. If Congress does not desire to give itself the trouble of making the cut, and wishes—to adopt the language which was suggested by a Member of this body yesterday—to "pass the buck" back to the Bureau of the Budget, that is another matter, but it is not the democratic way of proceeding.

Mr. OVERTON. I submit to the learned Senator from Wyoming that it is much more difficult to cut appropriations than it is to approve them or to increase them, and what we have been doing is approving or increasing Budget estimates, and when it comes to reducing the appropriation we shall find that it is much more difficult and probably involves a much longer process than in preparing and presenting the original bill.

Mr. McCARRAN. Mr. President, will the Senator yield?

Mr. O'MAHONEY. I yield.

Mr. McCARRAN. I should like to address a question to the Senator from Wyoming with respect to his proposed amendment. As I read the Senator's amendment it provides for no limitation. Therefore, the cut, if a cut should be accomplished by the committee, could be on the salary side. Fixed charges are not considered in any respect, or eliminated. So that the Senator's amendment may afford an avenue for a direct drive at cutting down salaries of Federal employees. Am I correct in that statement?

Mr. O'MAHONEY. I do not think that would follow.

Mr. McCARRAN. It is left wide open to the committee to cut in that direction just as much as in another; is that not true?

Mr. O'MAHONEY. Of course, whatever recommendation is made would have to be made to the Congress.

Mr. McCARRAN. Why cannot we make the recommendation in the amendment?

Mr. O'MAHONEY. I have no objection to a provision that it is not the intention to make any salary cut.

Mr. McCARRAN. That it is not the intention to cut fixed charges, including salaries?

Mr. O'MAHONEY. Yes.

Mr. McCARRAN. Would the Senator offer such a change to his own amendment?

Mr. BANKHEAD. Mr. President, I should like to ask the Senator from Wyoming a question. If he is not going to reduce salaries, how does he propose to reduce the appropriation? He is obliged to recognize that he must either reduce the salaries or the number of employees. The saving the Senator specifies as mandatory in his amendment would result in the discharge of approximately 25,000 Federal employees—probably more.

Mr. O'MAHONEY. I do not think that follows at all.

Mr. BANKHEAD. Assume the average salary is \$2,000 a year—that is too high, but let us assume the average salary is \$2,000 a year—then as I understand, it would be necessary to discharge about 25,000 employees in order to effect the saving suggested.

Mr. O'MAHONEY. Mr. President, I modify my amendment by adding at the end thereof the phrase:

*Provided*, That no reduction of salaries of Government employees or of fixed charges and trust funds shall be reported.

Mr. OVERTON. Mr. President, will the Senator yield to me for a question?

Mr. O'MAHONEY. I yield.

Mr. OVERTON. How can the Congress of today limit the action of the Congress of tomorrow? It makes no difference what provision is made as to limitation with respect to salaries. In any year when a bill comes up a drive can be made, and salaries can be reduced by the Congress.

Mr. O'MAHONEY. The Senator is only saying what I said in response to the question of the Senator from Alabama. In the last analysis, the Senate itself and the House itself will be the judges as to what reductions will be made.

Mr. OVERTON. So the limitation which the Senator undertakes to place upon the authority of the Congress in acting upon the bills is a mere brutum fulmen. It amounts to nothing; it is not a limitation in law or in fact.

Mr. O'MAHONEY. I made the point in order to satisfy the Senator from Nevada [Mr. McCARRAN] and to make it clear that it was not my intention to reduce salaries.

Mr. BYRD. Mr. President, will the Senator yield for a question?

Mr. O'MAHONEY. I yield.

Mr. BYRD. What is the Senator's interpretation of "civil expenses"? His amendment provides for \$500,000,000 reduction "in the civil expenses of the Government." What does he consider to be civil expenses?

Mr. O'MAHONEY. I think the civil expenses are non-military expenses, nondefense expenses.

Mr. BYRD. Are they not the ordinary and regular expenses of the Government? The ordinary interpretation of "civil expenses" would be what is termed the "regular, ordinary expenses," would it not?

Mr. O'MAHONEY. I should think so.

Mr. BYRD. Would the relief appropriation be considered as an ordinary expenditure?

Mr. O'MAHONEY. Certainly.

Mr. BYRD. That is carried in a separate joint resolution.

Mr. O'MAHONEY. That is not a defense expense.

Mr. BYRD. Would veterans' pensions be considered a civil expense?

Mr. O'MAHONEY. Yes; I think they would be.

Mr. BYRD. And they would be subject to reduction under this amendment. Would the social-security grants be considered as a civil expense?

Mr. O'MAHONEY. Mr. President, the Senator is raising questions which were not passed upon in connection with the amendment which the Senator sponsored and which was reported by the committee.

Mr. BYRD. The Senator is in error. These particular items were exempted in the amendment offered by the Senator from Virginia. Veterans' pensions were exempted. Social security grants were exempted. Agricultural Adjustment

Administration benefit payments to farmers, by reason of the fact that the contracts had already been made, were exempted.

Mr. O'MAHONEY. The purpose is to exempt them, and if my language is not appropriate to accomplish that purpose I am willing to change it.

Mr. BYRD. We are passing serious legislation. I want the Senator to make clear, either by actual language in his amendment, or in some other way, by explanation to the Senate, what he means by "civil expense." He says he means that veterans' pensions are a civil expenditure. My amendment exempted veterans' pensions. The social-security grants to the States are certainly a civil expense.

Mr. O'MAHONEY. The Senator from Virginia was the sponsor of the amendment reported by the committee which exempted appropriations for national defense, fixed charges, and trust funds. By the language of my amendment I take it that all three of those items are exempted.

Mr. BYRD. Why does the Senator so take it? The amendment does not exempt them. It says "civil expenses."

Mr. O'MAHONEY. Because I have interpreted "civil expenses" to mean expenses which are not for national defense.

Mr. BYRD. Can the Senator interpret legislation on the floor of the Senate? Legislation speaks for itself.

Mr. O'MAHONEY. Legislation is interpreted not only by the language in the bill, but also by the interpretations which are announced upon the floor of the Senate.

Mr. BYRD. If such interpretations are erroneous, however, the language of the bill will be the determining factor, and not what the Senator from Wyoming says it means.

Mr. O'MAHONEY. How does the Senator from Virginia suggest that the amendment be modified?

Mr. BYRD. I am not making a suggestion. I simply want to know what we are voting on when we vote for the Senator's amendment. I assume that he has given it consideration, and that he is in a position to tell us exactly what "civil expenses" mean. I had to answer similar questions in connection with my amendment.

Mr. O'MAHONEY. The Senator from Virginia and the Senator from Wyoming are apparently endeavoring to accomplish the same purpose. I announced at the outset that I did not offer the amendment in order to supplant any amendment which the Senator from Virginia was offering.

Mr. BYRD. I accept the statement of the Senator. I accepted it earlier.

Mr. O'MAHONEY. As I stated, my purpose in drafting the amendment was to provide that Congress, and not the executive department, should undertake to make the reductions. My purpose is to draw the language in such form that the reduction will be made upon the items which the Senator from Virginia believes should be reduced.

Mr. BYRD. I thank the Senator very much, and I assume that he will modify his amendment accordingly, because the present language does not accomplish that purpose.

Mr. O'MAHONEY. As I have suggested the amendment, I am under the impression that it does.

Mr. BYRNES. Mr. President, I wish to say only a few words with reference to this matter, from the standpoint of the Appropriations Committee. I do not speak for the committee. In fact, I have not spoken to any member of the committee about this amendment. The committee was in conference on the relief joint resolution last night until 12 o'clock, and has been busy all morning.

However, I wish to call the attention of the Senate to these facts:

During the course of the debate there has been a rather general agreement that to bring about any large reduction in appropriations we should have to resort to the agricultural bill, the relief bill, and the bill carrying appropriations for the Civilian Conservation Corps. Because of that fact, I wish to put into the RECORD the figures as to those appropriations.

As to the agricultural bill, the estimate submitted by the President asked for \$720,924,619. As the bill was reported to the Senate, it carried appropriations of \$922,864,688. As it passed the Senate it carried \$922,911,213.

When the bill containing the appropriations for the Civilian Conservation Corps was submitted, the estimate submitted by the President was for \$230,000,000. It was reported by the Appropriations Committee at \$230,000,000. The Senate then proceeded to add \$50,000,000 to that appropriation.

The relief measure was submitted, not several months ago, but only last week, and passed the Senate only last Saturday night. The estimate submitted by the President was for \$1,126,055,000. It was reported to the Senate by the Appropriations Committee at \$1,073,584,916. When it came to the Senate last week the Senate, which now wants to economize, added approximately \$151,206,000.

Therefore, if the Senate had not exceeded the recommendations of the Appropriations Committee with respect to the relief measure and the Civilian Conservation Corps bill, we should have saved \$201,000,000, which is now desired to be saved. Therefore, the fault is not with the Appropriations Committee. The bills, as reported, contained \$201,000,000 less than they carried when passed by the Senate. In effect, the Senate said, "You have cut down these appropriations unwisely. In exercising our prerogative, we are going to restore them."

So far as the Budget estimates are concerned, the amount requested by the President for the three bills is \$450,722,000 less than the total amount carried in the bills as passed by the Senate. In other words, to understand the situation, we added to the estimates submitted by the President \$450,000,000, which is the amount we have been discussing as desirable to save at the present time.

With that statement, Mr. President, I ask permission to insert in the RECORD at this point a statement showing the exact figures with regard to the bills I have been discussing.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

AGRICULTURE BILL	
Estimates .....	\$720,924,619
Reported to Senate .....	922,864,688
Passed Senate .....	922,911,213
RELIEF MEASURE	
Estimates .....	1,126,055,000
Reported to Senate .....	1,073,584,916
Passed Senate .....	1,224,791,357
C. C. C. IN LABOR BILL	
Estimates .....	230,000,000
Reported to Senate .....	230,000,000
Passed Senate .....	280,000,000

Mr. BYRNES. If the Congress, through legislation, should ask the Appropriations Committee to review these bills and to consider reductions in all matters which are not essential for military and naval purposes, that can be done. The committee might be of the same opinion it was last week about the relief joint resolution when it reported a measure carrying \$150,000,000 less than the amount fixed by the Senate last Saturday night.

The Senate Appropriations Committee has no objection to recommending reductions, but its members exercised the best judgment they had when they reported the bills to the Senate. The Senate added a substantial amount; and a week after it increased the amount it now says, "We want you to go back and review those bills and tell us how we can cut them." My only objection is that there is no way by which we can provide that the Senate shall not proceed to add more money to what the Appropriations Committee reports, if it should make another report and recommend certain reductions.

It is now proposed that the Senate shall say, "We have acted on these bills. We added \$450,000,000 more than you recommended. We know we were wrong, and we want you to go back and cut it out." If the Appropriations Committee is given the power to make reductions which will stand, the committee can do so; but if we are merely to reiterate the recommendations previously made, I am afraid we shall not make much headway.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. BYRNES. I shall be glad to yield in just a moment.

Mr. President, I do not mean to say that I would seriously advocate such a course. I do not intend to offer any amend-

ment. I am simply calling attention to the facts and saying that, if there is any way by which the Congress can empower the Appropriations Committee to legislate on the subject and cut out \$450,000,000, it will be cut out. But if the Appropriations Committee is merely to report, we must be fair with ourselves and with the country and say that many difficulties are involved.

A moment ago I mentioned the matter to the Senator from Georgia [Mr. RUSSELL], who had charge of the agricultural appropriation bill, in an effort to determine what commitments had been made with reference to parity payments. If anything of this kind is to be done, it certainly ought to be done before commitments are made, because the Appropriations Committee cannot, on the 1st of September, after contracts are made, make a report as to how to effect a reduction of \$450,000,000. Departments are authorized to make contracts for construction and for other purposes. After they have made such contracts it is very difficult to cancel them. We may not cut salaries and we may not violate contracts. That being true, I know that the Senate will be fair enough to realize the difficulties under which we would labor.

If it is desired to follow the course suggested, as one member of the Appropriations Committee, I shall do my best to cooperate. I hope the Senator from Wyoming [Mr. O'MAHONEY], who is always energetic, may be made chairman of such a committee, and that my friend from Maryland [Mr. TYDINGS] may be a member of the committee. I should cooperate with them in an effort to bring about a reduction of \$450,000,000. If there were any way in which such a cut could be made to stick, the desired result might be accomplished. However, after the committee has brought back its report, the recommendation must come before the Senate and the House; and various Members of Congress will say, "You made the cut in the wrong place. If you had cut over here, we would be entirely satisfied with it." There would be strong objection to a cut in the parity payments, or in the appropriations of the Civilian Conservation Corps, a most popular organization—

Mr. BANKHEAD. Do not forget the Federal Surplus Commodities Corporation.

Mr. BYRNES. Only last Saturday afternoon three-fourths of the Senate voted in favor of adding \$100,000,000 for the Surplus Commodities Corporation, and by a vote instructed its conferees to stand by the increase. Last night, when I hope some Senators were asleep, the ambassadors representing the Senate were fighting to demand that the House agree to add \$100,000,000 for which there was no Budget estimate, \$100,000,000 more than the Appropriations Committee wanted. The hour of midnight found us fighting to stand by the action of the Senate. It is now proposed that the Senate say, "We did not mean it. We want you to take back all those bills and cut \$450,000,000 out of them."

Mr. RUSSELL. Mr. President, will the Senator yield?

Mr. BYRNES. I yield.

Mr. RUSSELL. If the Senator from South Carolina is seeking a stipulation that the action of the Appropriations Committee shall be binding and final, I hope he will also include a stipulation that the Appropriations Committee shall not be subjected to the ridicule and abuse sometimes heaped on our heads when we recommend reductions on the floor of the Senate.

Mr. BYRNES. Our spirits are all right, but our bodies are bruised and broken. [Laughter.] We have been run over so many times that that is our normal condition. We expect it, and we are seldom disappointed. As a Senator suggests, it is a "natural gait." We know, when we report reductions, what will happen to us. Therefore, we are not complaining. If we are to bring in a recommendation in September, or at the conclusion of any recess of Congress, and then the recommendation is to be disregarded, that is all right. I only should like to make sure that there is no way by which it could be added to.

Mr. McKELLAR and Mr. TYDINGS addressed the Chair.

The PRESIDENT pro tempore. Does the Senator from South Carolina yield; and if so, to whom?

Mr. BYRNES. I yield first to the Senator from Tennessee.

Mr. McKELLAR. Mr. President, I wish to suggest that if the amendment were adopted, and the matter were referred to a committee composed of three members of the Senate Appropriations Committee and three members of the House Appropriations Committee, as I believe the amendment provides, there would have to be hearings, and the executive department would be the only one to advise as to where appropriations could be cut, anyway. So it seems to me that to give the authority to the President to make the reductions would be better than submitting the matter to a committee, because the two subcommittees of the Appropriations Committees provided for by the amendment would undoubtedly have to go to the executive department and ascertain what they thought could be saved, and act upon that recommendation. Instead of going about it a roundabout way, the Committee on Appropriations having done its best in the matter already, why not adopt an amendment authorizing the President to make such reductions as he can?

Mr. BYRNES. The purpose stated by the Senator from Wyoming was to avoid the delegation of power to the President.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. BYRNES. I will yield in a moment. I realize that there has been so much discussion on this question that I should not take much time on it, but, of course, the President has the power. Members of the Senate say the President will not exercise the power, but it must be said in behalf of the President that the figures show in three nonmilitary or nondefense bills we have added \$450,000,000 to the amount asked for by the President.

What occurred was that the President last September, believing, as he did, that the Nation should spend more for national defense, added to the estimates in the case of all bills providing for national defense and reduced the estimates for bills providing for civil functions of the Government.

If we look back 4 months or 5 months or 6 months ago, we will remember that when the Budget was submitted there were two criticisms. One was that the President was unnecessarily alarmed about the Army and Navy appropriations and was proposing that they be increased to a figure higher than was justified. The other criticism was that the President, in adding to them because of his interest in increased appropriations for the national defense, had done it at the expense of the farmer and at the expense of those on relief, and it was intimated that the Congress would add to the agricultural bill and add to the relief bill, and deduct the amounts added from the estimates for national defense.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. BYRNES. I will yield when I finish the statement. As chairman of the naval appropriations subcommittee, I knew that sentiment existed to such an extent in the Senate that I would not report and did not report the naval bill until there was considerable activity across the water and there was an invasion of Norway. Then, when the naval bill was reported, the Senate came to the same view the President had in December, and the naval bill was passed without a dissenting vote; but I then knew, as I know now, that so long as some of the best Members of the Senate with whom I have been associated talked about the war being a "phony" war and entertained the idea that the President had deliberately reduced the estimates for agriculture and relief, they were determined to cut appropriations for the Army and the Navy. We could not have passed the billion-dollar appropriation bill for the Navy 1 month before it was passed.

Mr. TYDINGS. Mr. President—

Mr. BYRNES. I yield.

Mr. TYDINGS. I am very much interested in the earlier observations of the Senator from South Carolina. He has stated more comprehensively and thoroughly and with more point what is likely to happen if the amendment proposed by the Senator from Wyoming shall be adopted. I do not feel that it would be worth the effort of the committee proposed to be set up unless the amendment offered by the Senator from Wyoming authorized the Appropriations Committee to

make the cut, and then there was a rule or a prohibition that the Senate must vote the recommendation either up or down. If it were allowed to be amended on the floor, it would be a futile and wasted effort. The only way this saving can be made, if the Senate wants it to be made, is to have the committees go over it and finally ascertain where the savings can be made, and then bring the report on the floor and either vote it up or vote it down. If we do not do that, the whole thing will go for naught.

Mr. O'MAHONEY and Mr. SHIPSTEAD addressed the chair.

Mr. BYRNES. I yield first to the Senator from Wyoming.

Mr. O'MAHONEY. I am very glad the Senator from South Carolina has made the observations which he has just concluded. I agree completely with what he has said with respect to the relation of the legislative branch to the executive branch with respect to these appropriations. The charge of waste has been made repeatedly against the President by persons who ought to know that the President from the beginning has been endeavoring to keep appropriations down. We have had numerous examples of exactly what the Senator has said, notably the passage of the W. P. A. bill by this body a few days ago. I suppose no appropriation measure acted on by the Congress is subjected to more criticism than that bill, including criticism by Members of Congress when they go out upon the political stump, but when the time comes to vote upon it the bill is passed without opposition. The relief bill was passed upon this floor within a week without a single vote having been cast against it; the appropriation bill for W. P. A. a year ago was passed in this body by unanimous vote, and there were only 23 votes cast against it in the House of Representatives.

So, Mr. President, to pass anything in this body which attempts to place the responsibility for cutting expenditures upon the Executive when the responsibility is ours seems to me to be utterly wrong. My position is that if we want to reduce expenditures, if we want to talk about the effectiveness of democracy, let us see that the legislative body in the democratic manner shall undertake the work.

Mr. SHIPSTEAD. Mr. President—

Mr. BYRNES. I yield to the Senator from Minnesota.

Mr. SHIPSTEAD. I should like to ask the Senator from South Carolina what he thinks of the practicability of making a straight cut of 10 percent in all items of appropriation except trust funds and those to cover fixed charges?

Mr. BYRNES. That is the proposal of the Senator from Virginia [Mr. BYRD] with one or two exceptions with relation to pensions, salaries, and other items. It can be done; there is no doubt about that. I think the language of the amendment of the Senator from Virginia would cover that, excepting, as it does, fixed charges and trust funds. Of course, I understand that after it was offered there was some agreement that it should not include salaries. The Senate and the House of Representatives can do it if they wish to reduce the salaries.

Mr. SHIPSTEAD. If it should be done it could be done by a committee.

Mr. HARRISON. Mr. President—

Mr. BYRNES. I wish to conclude my remarks by saying that I have no feeling about this matter at all. I simply wanted to make the statement I have about the action of the Appropriations Committee.

Mr. BARKLEY. Mr. President, will the Senator let me ask him a question?

Mr. BYRNES. Certainly.

Mr. BARKLEY. The appropriation bills which have been enacted are now the law. Does the Senator believe that Congress by authorizing or attempting to authorize the Appropriations Committee of the two Houses to cut from the appropriations which are now the law can bring about a repeal of those appropriations to the extent that a committee might in the future decide to cut them without in any way having the two Houses pass upon the matter again? Suppose the Appropriations Committee decided to cut some item of appro-

priation from the Interior Department appropriation bill or the State Department appropriation bill or the appropriation bill for any other department, and the department said "Congress has appropriated this money; it is already the law and we will not recognize the act of the committee in telling us we cannot spend it."

Mr. BYRNES. I do not see any practical way by which it can be done except by the President exercising the power he has to withhold expenditures, which he can do and which he ought to do, and which I hope he will do as to many of the appropriations of this character.

Mr. CLARK of Missouri. Mr. President, as a Senator who in the Finance Committee was an ardent supporter of the amendment of the Senator from Virginia [Mr. BYRD], and who intended to support it on this floor, it seems to me, in view of the action of the Senate yesterday on the Barkley amendment and on the Tydings substitute, that the straightforward, efficient, and honest thing for the Senate to do is simply to vote down the amendment of the Senator from Virginia in any form, because, to my mind, the two votes yesterday on the Barkley amendment and the Tydings substitute were an affirmative declaration by the Senate of the United States that they did not intend to do anything efficient in the way of economy or in trying to piece out by economy the taxes which it is necessary to raise in this emergency.

Mr. President, I do not see how any other conclusion can be reached. To adopt the amendment in its present form, with the word "directed" stricken out, is simply to make a gesture, and a misleading and a dishonest gesture, to the American people, seeking to lead the American people into the view that Congress has done something in the direction of economy, when every Senator knows that is not true, because simply to authorize the President to effect economies is to authorize him to do something which he already has complete power to do. It does not confer any additional jurisdiction whatever upon the President of the United States. Therefore I say it can only have the effect of a misleading gesture to the country to the effect that Congress has taken some steps in the interest of economy, which as a matter of fact it has not taken.

Mr. McKELLAR. Mr. President—

Mr. CLARK of Missouri. I yield to the Senator from Tennessee.

Mr. McKELLAR. The Senator from Missouri is one of the ablest Senators we have.

Mr. CLARK of Missouri. I thank the Senator.

Mr. McKELLAR. And ordinarily I pay a great deal of attention to what he says; but the amendment as it is now written provides as follows:

The President is hereby authorized—

The words "and directed" have been stricken out—

Mr. CLARK of Missouri. He already has the authority without the adoption of the amendment.

Mr. McKELLAR. I know; but—

The President is hereby authorized to reduce appropriations for the executive branch of the Government for the fiscal year ending June 30, 1941 (except appropriations for national defense, fixed charges, and trust funds), in such manner that the total amount of such reductions shall not be less than 10 percent of the total amount of the appropriations affected. Such reductions in appropriations shall be impounded and returned to the Treasury.

This is not only a direct authorization but a direct request of the Congress to the President to make these reductions if it is possible. It is all before him.

These other appropriations are the law. The expenditure of many of the appropriations may have been already authorized, and, of course, they cannot be cut; but this amendment calls the President's attention to the matter, gives him the direct authority, and tells him what to do. I do not believe President Roosevelt or any other President of this Republic, when a law like that is passed, is going to fail to do his duty to the utmost. I believe the amendment—section 403, as amended—will bring about the highest possible reduction of expenditures that we shall get for the year 1941.

Mr. CLARK of Missouri. Mr. President, let me say that in the many years during which I have known and admired and loved the Senator from Tennessee I have never seen him give such an exhibition of credulity as the expression of the idea that this amendment, in its present form, is anything except a mere empty gesture, because the President already has authority to withhold appropriations if he wants to do so. To request him to do so, as the Senator from Tennessee terms it, is simply to "pass the buck" to the President.

If we pass a mandatory provision of law directing the President of the United States to effect this economy, and the President of the United States signs the law—and it cannot become law without his signature, because nobody has any idea of passing such a provision over his veto—if Congress passes such a mandatory provision and the President signs it, it then becomes the law of the land, and it becomes the President's duty to carry it out. It is not a question of the delegation of legislative authority. It is not a question of "buck passing." But for Congress simply to write a letter to the President and say, "Please, Mr. President, won't you look over the thing and exercise an authority that you already have?" is purely and simply an empty gesture in the interest of economy.

Now, let us come to the proposition of the Senator from Wyoming [Mr. O'MAHONEY].

Mr. SMITH. Mr. President—

Mr. CLARK of Missouri. I yield to the Senator from South Carolina.

Mr. SMITH. I have listened to this debate, and I should like to have someone who has the facts tell me what appropriations can be affected by the Byrd amendment.

Mr. CLARK of Missouri. The appropriations for the next fiscal year.

Mr. SMITH. I know; but what do they consist of? What is included in the effect of the Byrd amendment?

Mr. CLARK of Missouri. That question was discussed yesterday by the Senator from Virginia and other Senators at much greater length than I possibly could discuss it. I did desire to proceed very briefly to consider the proposition of the Senator from Wyoming. The Senator from Virginia, of course, will be very glad to explain precisely the effect of his amendment before it was emasculated by the amendment of the Senator from Kentucky.

Mr. SMITH. Very well. I want to get those facts, because they might persuade me to have something to say about this matter.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. CLARK of Missouri. I yield to the Senator from Texas.

Mr. CONNALLY. The Senator referred to the amendment of the Senator from Kentucky as having emasculated some other amendment.

Mr. CLARK of Missouri. As having emasculated the amendment of the Senator from Virginia [Mr. BYRD], reported from the Finance Committee with only four dissenting votes.

Mr. CONNALLY. Is that the amendment which struck out the word "directed"?

Mr. CLARK of Missouri. Yes; that is the amendment.

Mr. CONNALLY. Let me ask the Senator a question. I voted for the Barkley amendment. The reason why I voted for it was because I regard it as beyond the proper power of Congress to direct the President to do anything.

Mr. CLARK of Missouri. Mr. President, if the Senator will permit me right at that point, of course it is a very common thing to find this expression even in drafts of legislation sent up from the executive departments and supported by the President himself. Nothing is more common than the expression, "The President is hereby authorized and directed"; and, as far as I know, the question of the authority of Congress to do that has never before been raised.

Mr. CONNALLY. I had always thought that each of the three branches of the Government had its own duties, defined

under the Constitution; and in the exercise of the Executive function I do not regard it as within the province of the Congress to direct the President to do anything.

Mr. CLARK of Missouri. But, Mr. President, this is a legislative function. In addition to being the Executive, the President is also part of the legislative branch of the Government.

Mr. CONNALLY. We do not expect the President to come up here and perform the functions of the Congress.

Mr. CLARK of Missouri. He frequently has.

Mr. CONNALLY. Probably so; but if he should undertake to do so, according to my view, I would resist it. It is not the President's function to tell the courts how to decide cases, as I have heretofore indicated in certain instances. If we are to expect the Executive to respect our functions, it is our duty to respect his functions. What could we do about the matter if he did not do it? All we can do is to request him to do it. If the President did not do it, the Congress could do nothing about it.

Mr. CLARK of Missouri. If the Congress passes a law, and the President signs it, and it becomes a law of the United States, directing the President to do something, and he does not do it, it is like any other failure on the part of any individual officer to perform his sworn duty.

Mr. CONNALLY. If I were President of the United States, I would not sign any such bill.

Mr. CLARK of Missouri. That would be the privilege of the Senator if he were President of the United States, which the Senator might be and which I would be glad to see.

Mr. CONNALLY. I do not anticipate ever being President or Vice President. Fortunately, the little bug has not yet stung me that has deranged so many minds and so many ambitions.

Mr. CLARK of Missouri. I am sure no bug ever stung the Senator which could for a moment impair his majestic intellect or disturb his impressive dignity.

Mr. BYRD. Mr. President—

Mr. CLARK of Missouri. I yield to the Senator from Virginia.

Mr. BYRD. I call the attention of the Senator from Texas to the fact that frequently the word "shall" is used in connection with the President. We provide, in various acts of Congress, that the President shall do so and so.

Take the case of the Neutrality Act of 1939. It provides that whenever the President, or Congress by concurrent resolution, shall find a certain state of facts to exist, the President shall issue a proclamation naming the states involved. It provides that he shall from time to time, by proclamation, name other states as and when they become involved in war. The same language was used in the Reorganization Act.

"Shall" is just as effective as "direct." If there is any objection to the word "direct," as used in my amendment, I shall be very glad, indeed, to substitute the word "shall." It is frequently used.

Mr. CLARK of Missouri. Mr. President, I now desire briefly to advert to the substitute proposed by the Senator from Wyoming [Mr. O'MAHONEY]. That also seems to me to be an empty gesture.

It has been suggested here that the Appropriations Committee be instructed to report not later than the 1st of January 1941. Of course, we know that by the 1st of January 1941 half of the fiscal year will have passed; and also by the 1st of January 1941 appropriations for the next fiscal year will be coming over from the House for consideration, and to ask the Appropriations Committee to wait until the 1st of January 1941, and then come in here and report a system of economy, with the fiscal year already half passed, which in itself would be subject to amendment, is to ask the Appropriations Committee to do an absolutely futile thing.

Another suggestion was made that the Appropriations Committee be required to report not later than the 1st of September 1940. That suggestion might have some effect if we had any assurance that the leadership in the Congress will not be successful in its announced endeavor to adjourn the

Congress before the 1st of September 1940. In other words, the Appropriations Committee might go through the labor of preparing recommendations for economy, and be forced to report to Congress after the Congress had adjourned sine die.

It reminds me of an incident which took place in the Missouri Legislature when my father was the majority leader in the House of Representatives of Missouri. There used to be a Republican in the legislature in those days who rejoiced in the name of "Fire Alarm Flannagan," who was always "viewing with alarm" some activity of the State government and always introducing resolutions to investigate those various activities. Finally, he introduced a resolution to investigate the administration of the insane asylum over at Fulton. By that time my father was pretty tired of "Fire Alarm's" activities; so he took Flannagan's resolution and struck out all after the enacting clause, and appointed "Fire Alarm Flannagan" a committee of one to go over and investigate the insane asylum, pay his own expenses, and report back after the legislature adjourned sine die. [Laughter.] So I greatly fear that the substitute of the Senator from Wyoming would simply be another empty gesture to try to assure the country that Congress had done something in the interest of economy when, in fact, they had actually accomplished nothing.

Mr. O'MAHONEY. Mr. President—

Mr. CLARK of Missouri. I yield to the Senator from Wyoming.

Mr. O'MAHONEY. Mr. President, I am sure that the Congress of the United States does not act upon the Missouri precedent.

Mr. CLARK of Missouri. I am not so certain. I have seen some precedents here very closely equivalent to the action which took place in Missouri, and I greatly fear that that exact situation might exist if we adopted the substitute offered by the Senator from Wyoming, holding ourselves out to the country as having accomplished something for economy, and then the leadership succeeded in adjourning the Congress before the committee could report.

Mr. HARRISON. Mr. President, I hope we can get to a vote on the pending amendment, consideration of which has taken 2 days of the time of the Senate. If we can get this matter settled, perhaps we can conclude the consideration of the bill this afternoon. If not, I hope that we will remain in session tonight until we finish the consideration of the bill.

The PRESIDING OFFICER (Mr. MINTON in the chair). The question is on agreeing to the amendment offered by the Senator from Wyoming [Mr. O'MAHONEY] in the nature of a substitute for the committee amendment.

Mr. O'MAHONEY. Mr. President, I ask for the yeas and nays on the pending amendment.

Mr. BYRD. I ask that the amendment be stated.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. In lieu of section 403, as amended, it is proposed to insert the following:

SEC. 403. The Committee on Appropriations of the Senate and House of Representatives are hereby directed to review the appropriation bills for the fiscal year ending June 30, 1941, and to report on or before September 1, 1940, such amendments thereto as will effect a total reduction of \$500,000,000 in the civil expense of the Government without impairing efficiency: *Provided*, That no reduction of salaries of governmental employees or of fixed charges and trust funds shall be reported.

Mr. KING. Mr. President, may I ask the Senator a question?

Mr. O'MAHONEY. I yield.

Mr. KING. Upon the submission of the report, will it automatically be vitalized, and so effect a reduction of \$500,000,000; or will it require affirmative action upon the part of the Executive or of the Congress?

Mr. O'MAHONEY. It would require action by the Congress.

Mr. KING. Obviously. Suppose Congress shall not be in session, then, and shall not be in session until the next fiscal or calendar year? When would any reduction recom-

mended be effective if there should be a favorable report by the committee?

Mr. O'MAHONEY. I am assuming that Congress will be in session. Of course, if it were not in session, then Congress could not act upon the matter until the regular session in January or until a special session met.

Mr. KING. Mr. President, I have such a high regard for the Senator from Wyoming that any suggestion from him arrests my attention and usually commands my support. I am not certain as to the benefits which might be derived if his amendment were adopted. It is impossible to determine just what the effects will be if a number of suggested amendments are enacted into law. No one can foretell what amount of revenue will be derived from the bill if enacted into law, or what taxes should be imposed in order to meet the situation in which our country finds itself. Much as we may desire to be realistic and to frame revenue measures along prudent, just, and indeed scientific lines, we are beset with such uncertainty as to make it almost impossible to pursue that course. We cannot ignore the chaotic and dangerous conditions prevailing in the world today. We cannot determine, as I have indicated, the amount of revenue which must be collected, and the form of taxes which must be imposed, in order to meet the imperative demands of the Government. We are not an isolated unit; we may not frame our tax laws, based solely upon domestic needs, in a period when there is lacking a reasonable degree of sanity and peace in the world, and when our entire economy is profoundly disturbed.

When the world is on fire our legislation may not ignore the conflagration and be limited exclusively to domestic peacetime conditions. It is admitted by all that our revenues must be greatly increased, thus imposing an increasingly heavy burden upon the American people. Only a few years ago the expenditures of the Government did not exceed \$1,000,000,000. For the fiscal year ending June 30 of this year our expenditures will, in my opinion, be in excess of \$9,000,000,000. What they will be for the coming year it is impossible to determine. It is certain that with the demands for national preparedness there will be a very great increase in national expenditures.

It would be unrealistic to talk about balancing the Budget within the next 2 or 3 years; indeed, there are many students of our economy and our national trends, including world conditions, who foresee a long period of increasing expenditures which will result in greater deficits for an indefinite period. However, conditions such as those confronting our country today demand that reasonable efforts shall be made to preserve the financial strength and integrity of the Government. A peril to all governments is inflation. The national credit must be maintained, and to that end every possible step should be taken which would prevent inflation, or arouse apprehensions that the financial strength of the Government may be undermined. Senators are familiar with the dangers of inflation—the inevitable consequences that flow from a persistent and long-continued unbalanced Budget.

When world conditions interrupt or destroy international trade and commerce, the economic and industrial foundations of communities and nations are weakened and often destroyed. We may not, for the moment, experience the effect of commotions in other parts of the world, but sooner or later most serious repercussions will follow and the economic and business life of the people be materially affected. We must not permit emotionalism or hysteria or fears to affect our judgment or lead to the adoption of unsound measures of a domestic nature, or those which fall within the category of international relations. As I have stated, we are part of the world. We cannot live to ourselves alone as much as many might desire. We must not embark upon an uncharted sea in the matter of expenditures, nor in our international policies. We must have an objective and not be swayed by hysteria or fears from the path of safety and of honor. I recognize as all do that being a part of the world we owe something to the world and the world owes something to us.

Primarily our duty is to our families, to our communities, to our States, and to our Nation. In the midst of world convulsions there must be one nation which is unmoved by the tumultuous seas and the waves of international passion. This great Nation, many believe—and I am one who does so believe—was destined by a divine Providence to be a light and guide in days of international troubles; and when shadows, fears, and darkness develop we know that peoples in many lands have looked to this Republic as the symbol of liberty and justice and as a great lighthouse shedding its rays to guide distressed peoples over troubled and dangerous seas. The foundations of this great Republic must not be weakened.

In many parts of the world there are millions of people deprived of their homes, wandering, suffering, dying. Many governments lie in ruins and the heavy hand of despotic rulers and cruel systems is laid upon them. This Nation may have brought succor and help to millions of unhappy people; it may have extended the hand of mercy and ameliorated the sufferings of millions in many parts of the world. It may likewise, as I have indicated, inspire hope and give courage to the distressed in order that liberty and hope may not be forever destroyed.

Undoubtedly the enormous demands which are being made and which will be made upon the American people for national defense will, as I have stated, greatly increase the burden of taxation which they will be called upon to meet. During the World War the administration determined upon a policy which would, so far as possible, prevent inflation, and, accordingly, efforts were made as Dr. Benjamin M. Anderson, professor of economics of the University of California at Los Angeles, states in the Economic Bulletin of May 23, 1940—

To avoid recourse to commercial banks as a primary reliance for financing the Government.

As we know, taxes were heavily increased in order, so far as possible, to maintain a sound and stable fiscal policy and to maintain the Government's credit. It was recognized that dangers would result from enormous deficits without the application of a sound system of taxation. Revenues obtained from many sources which theretofore had not been tapped. It was believed that it was important to take as much of the current increase of the people, in taxes and loans, as were possible, and the result was "investors' money and taxpayers' money paid for most of the war. Commercial bank expansion paid a very minor part of it."

Congress was determined to guard the public credit, to prevent inflation, and at the same time to enact tax legislation which would give to the Government a large part of the expenses incurred in meeting its war obligations. At the beginning of the World War the national indebtedness was small, and every effort was made to enact those measures and adopt those policies that would keep Federal expenditures within reasonable bounds and prevent dangerous inflationary movements. In the interests of our Government and in the interest of our future development, it is imperative that we shall limit appropriations to the needs of the Government. In other words, that there shall be economy, even when we are faced with difficulties, not to say dangers, from external causes.

It is difficult to determine just where we should apply the pruning knife and limit appropriations. There might be a reduction in the salaries of Federal employees; a similar suggestion was made by President Roosevelt and adopted for a limited period. Obviously we could reduce many of the activities of the Government, but in so doing it might abridge needed and important enterprises, with resulting injury to thousands of persons engaged in public and private activities. When there is a reduction in salaries, it strikes most heavily upon individuals who are receiving compensation in what might be called the lower brackets. Disturbed economic conditions resulting from wars, and from other causes, usually disturb the price structure, causing increased prices of most, if not all, commodities. Certainly that is true if the fiscal and other policies result in inflation.

When limitations upon appropriations are sought, it must be remembered that those receiving small salaries and limited

compensation are the ones who suffer most; so, when we speak about reducing salaries of the employees of the Government and employees in industry, it must not be forgotten that an increase in prices, together with inflation, results in still higher prices and mounting costs of commodities, subjecting to undue pressure those of small incomes. They are the ones who suffer most severely.

Mr. President, I wish it were possible to reduce Federal expenditures. I have often during the past few years criticized many appropriations and have insisted upon economy in all branches of the Government.

Mr. President, this situation, as I understand it, compels our Government to adopt a broad, sound, and realistic defense policy. Europe and Asia, and, indeed, nearly all parts of the world, present contests and confusion and dangerous forces which threaten the foundations of many governments. Ambitious men are seeking increased power, and democratic nations are being trodden underfoot. Communism and nazi-ism have cooperated in the destruction of governments. They have destroyed liberal and progressive nations. Communists seized the Russian Government and announced their purpose to impose their ideology upon all nations.

Within the past few days several small nations have been brought under the domination of Stalin, and in a number of European countries many of the people fear invasion at the hands of communistic Russia.

I might add there are Communists in the United States who are directed by Bolshevik Russia and their efforts will be made to weaken democratic institutions and to superimpose communistic philosophy upon the American people.

As I have indicated, there are Communists in the United States, and there are resistant elements and forces which seek to prevent the adoption of measures calculated to protect communities and the Government from the insidious efforts of destructive forces. Nazi-ism has demonstrated its strength, and, having destroyed a number of democratic nations in Europe, it has its emissaries in various parts of the Western Hemisphere. Only yesterday, because, in the opinion of many, efforts might be made by European totalitarian states to obtain footholds in Latin America, the Senate discussed the Monroe Doctrine and reaffirmed its determination to maintain that doctrine.

The danger signals in many parts of the world compel the American people to take cognizance of the disturbing forces regnant in many countries and to adopt measures for the protection of this Republic and the enforcement of the Monroe Doctrine. Perhaps we have been too indifferent to the ominous signs appearing on the world's horizon and have closed our eyes to the growing storm which in recent years has broken upon the world. Following the World War there was not only a hope but a belief that policies of peace would be adopted, that barriers among nations would be removed, and that there would be cooperation among the peoples of the world for the promotion not only of peace and fellowship but for the advancement of the material, moral, and spiritual interests of all.

It is apparent that too much was expected by the people, and as a result we find the world today divided, nations armed against nations, and fear and hatred directing and controlling the lives and conduct of hundreds of millions of people. Instead of peace, there is war. Instead of fellowship, there are feelings of hate and revenge. Indeed, it is thought by many that the condition of the world even in dark periods was not more pregnant with evil than the days in which we live.

These tragic conditions may not be ignored, and the obligation rests upon our Government to adopt those measures that will defend it from all enemies, foreign and domestic. That means that heavy burdens of taxation must be imposed upon the people and that larger revenues must be obtained; that many of the resources of our Government must be devoted to military preparations for the defense of our country; and that readjustments will be required—indeed, compelled—in many activities of our citizens.

Under these circumstances, and in view of the uncertainty of the effect of the amendment offered by the Senator from

Wyoming, I feel constrained, much as I should like to vote for legitimate reductions, to vote for the amendment. If reductions are to be made, Congress should make them and not devolve the responsibility upon the President. I am willing to vote for reductions if we can ascertain just where our dangers are and where reductions would be justified in the light of all conditions, including our industrial and economic situation.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Wyoming [Mr. O'MAHONEY], as modified, to the committee amendment.

Mr. O'MAHONEY. I ask for the yeas and nays, and I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Donaher	Lodge	Schwellenbach
Andrews	Downey	Lucas	Sheppard
Ashurst	Ellender	Lundeen	Shipstead
Austin	George	McCarran	Smathers
Bailey	Gerry	McKellar	Smith
Bankhead	Gillette	McNary	Taft
Barkley	Green	Maloney	Thomas, Idaho
Bilbo	Guffey	Mead	Thomas, Okla.
Bone	Gurney	Miller	Thomas, Utah
Bridges	Hale	Minton	Tobey
Brown	Harrison	Murray	Townsend
Bulow	Hatch	Neely	Truman
Burke	Hayden	Norris	Tydings
Byrd	Herring	Nye	Vandenberg
Byrnes	Hill	O'Mahoney	Van Nuys
Capper	Holman	Overton	Wagner
Caraway	Holt	Pepper	Walsh
Chandler	Hughes	Pittman	Wheeler
Chavez	Johnson, Calif.	Radcliffe	White
Clark, Idaho	Johnson, Colo.	Reed	Wiley
Clark, Mo.	King	Reynolds	
Connally	La Follette	Russell	
Danaher	Lee	Schwartz	

The PRESIDING OFFICER. Eighty-nine Senators have answered to their names. A quorum is present.

Mr. O'MAHONEY. Mr. President, I have asked for the yeas and nays.

Let me say that my amendment proposes that Congress shall undertake the responsibility of economy, and I trust that Senators will permit a yea-and-nay vote upon the amendment.

The PRESIDING OFFICER. The yeas and nays are demanded.

The yeas and nays were ordered, and the Chief Clerk proceeded to call the roll.

Mr. CHANDLER (when his name was called). I have a general pair with the Senator from Pennsylvania [Mr. DAVIS]. I am advised that he would vote as I intend to vote. I vote "yea."

Mr. SHIPSTEAD (when his name was called). I have a pair with the senior Senator from Virginia [Mr. GLASS]. I am informed that if he were present and voting he would vote as I shall vote. I vote "yea."

The roll call was concluded.

Mr. MINTON. The Senator from Virginia [Mr. GLASS] is unavoidably detained. I am advised that if present and voting he would vote "yea."

The Senator from Tennessee [Mr. STEWART] and the Senator from Illinois [Mr. SLATTERY] are necessarily absent. If present and voting, I am advised that they would vote "nay."

The Senator from Arizona [Mr. ASHURST] and the Senator from Wyoming [Mr. SCHWARTZ] are detained in committee meetings.

Mr. AUSTIN. The Senator from Pennsylvania [Mr. DAVIS] is detained on public business.

I announce the following pairs on this question:

The Senator from Oregon [Mr. HOLMAN], who would vote "yea," with the Senator from Tennessee [Mr. STEWART], who would vote "nay"; and

The Senator from Vermont [Mr. GIBSON], who would vote "yea," with the Senator from Illinois [Mr. SLATTERY], who would vote "nay."

The Senator from New Jersey [Mr. BARBOUR] is absent on official duties.

The Senator from North Dakota [Mr. FRAZIER] and the Senator from Vermont [Mr. GIBSON] are necessarily absent.

The Senator from Oregon [Mr. HOLMAN] is detained on official business.

The result was announced—yeas 39, nays 47, as follows:

## YEAS—39

Adams	George	King	Tobey
Austin	Gerry	Lodge	Townsend
Bailey	Gillette	McNary	Tydings
Bone	Gurney	Nye	Vandenberg
Bridges	Hale	O'Mahoney	Van Nuys
Brown	Harrison	Radcliffe	Walsh
Byrd	Hatch	Shipstead	Wheeler
Capper	Holt	Smith	White
Chandler	Johnson, Calif.	Taft	Wiley
Donaher	Johnson, Colo.	Thomas, Idaho	

## NAYS—47

Andrews	Danaher	Lundeen	Pittman
Bankhead	Downey	McCarran	Reed
Barkley	Ellender	McKellar	Reynolds
Bilbo	Green	Maloney	Russell
Bulow	Guffey	Mead	Schwellenbach
Burke	Hayden	Miller	Sheppard
Byrnes	Herring	Minton	Smathers
Caraway	Hill	Murray	Thomas, Okla.
Chavez	Hughes	Neely	Thomas, Utah
Clark, Idaho	La Follette	Norris	Truman
Clark, Mo.	Lee	Overton	Wagner
Connally	Lucas	Pepper	

## NOT VOTING—10

Ashurst	Frazier	Holman	Slattery
Barbour	Gibson	Schwartz	Stewart
Davis	Glass		

So Mr. O'MAHONEY's amendment, as modified, in the nature of a substitute for the committee amendment, as amended, was rejected.

## MAINTENANCE OF MONROE DOCTRINE—HOUSE JOINT RESOLUTION REFERRED

Mr. PITTMAN. Mr. President, I ask that the Chair lay before the Senate the joint resolution which has been messaged over from the House of Representatives.

The PRESIDING OFFICER laid before the Senate the joint resolution (H. J. Res. 556) approving nonrecognition of the transfer of any geographic region in the Western Hemisphere from one non-American power to another non-American power, and providing for consultation with other American republics in the event that such transfer should appear likely, which was read twice by its title.

Mr. PITTMAN. Mr. President, it appears that this joint resolution is quite similar to one passed by the Senate day before yesterday by unanimous vote and messaged to the House day before yesterday. Therefore, I move that the House joint resolution be referred to the Committee on Foreign Relations.

Mr. CONNALLY. Mr. President, does the Senator mean to tell the Senate that after the Senate had passed a joint resolution the House, instead of taking up the Senate joint resolution, passed its own joint resolution?

Mr. PITTMAN. That is what happened. Day before yesterday the Senate passed a similar joint resolution by unanimous vote, and it was sent immediately to the House the same afternoon. The House joint resolution was passed yesterday in the House and today messaged to the Senate. I am moving that it be referred to the Committee on Foreign Relations so that we may see what improvement is suggested in the House joint resolution.

Mr. McNARY. Mr. President, I should like to ask the able Senator from Nevada whether it is a similar or an exact resolution.

Mr. PITTMAN. It is not exactly like the other.

Mr. McNARY. If it were, action could be taken on the floor of the Senate without referring it to the committee.

Mr. PITTMAN. A practice has arisen in the other House which is not very agreeable to the Senate. It has occurred with reference to measures handled by all the committees of this body. Bills are passed here and sent to the House, and similar bills are passed in the House and sent to the Senate. It is a practice which is not proper.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Nevada that House Joint

Resolution 556 be referred to the Committee on Foreign Relations.

The motion was agreed to.

HOUSE BILL REFERRED

The bill (H. R. 10104) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1940, and prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1940, and June 30, 1941, and for other purposes, was read twice by its title and referred to the Committee on Appropriations.

REVENUE BILL OF 1940

The Senate resumed the consideration of the bill (H. R. 10039) to provide for the expenses of national preparedness by raising revenue and issuing bonds, to provide a method for paying for such bonds, and for other purposes.

Mr. TYDINGS. Mr. President, I offer an amendment in the nature of a substitute for section 403, to read as follows:

The President is hereby authorized and directed to reduce appropriations for the executive branch of the Government for the fiscal year beginning July 1, 1940 (except appropriations for national defense, fixed charges, and trust funds), in such manner that the total amount of such reductions shall not be less than 4 percent of the total amount of the appropriations affected. Such reductions in appropriations shall be impounded and returned to the Treasury.

Mr. President, although I have been over the subject two or three times, a good many Senators have been absent. For about 5 minutes I should like to have the attention of those who care to listen, to show why I believe this amendment is absolutely imperative.

For the past 10 years, from June 30, 1930, to date, the average yearly expenditures of the Government have been \$7,300,000,000. The average yearly receipts of the Government have been \$4,600,000,000. The average yearly deficit of the Government has been \$2,700,000,000, for each year from June 30, 1930, to June 30, 1940. In order to show the deficits year by year, they are represented on this chart [indicating] and they average \$2,700,000,000 a year.

Keeping in mind that the average annual deficit for the past 10 years has been \$2,700,000,000, if Senators will look at these two charts they will see how much we have spent each year on the Army and Navy. This figure [indicating on chart] represents the total appropriations for the Army and Navy during the past 10 years. The expenditures for the Army and Navy combined average \$1,100,000,000 a year. So, if we subtract what we have spent on the Army and Navy each year from our average yearly deficit, it will be seen that there is a \$1,600,000,000 annual deficit for each year of the past 10 years without a penny going for national defense at all during that period.

The pending tax bill, if enacted, will raise, it is estimated, about a billion dollars a year. The amendment which has just been rejected would have saved \$500,000,000 if it had been finally effective. But even in that event we would be \$600,000,000 short of paying for our ordinary, routine, everyday expenses, including the revenues to be derived from the new tax bill, without a penny going for national defense. If we had had this new tax bill providing a billion dollars a year for each of the past 10 years, even with it, we would not have raised sufficient money to pay for the civil expenditures of the Government without a dollar going to the Army or the Navy.

As Senators will notice, in this column [indicating] are shown the revenues for the past 10 years. Senators will notice in this column [indicating] the expenditures for the civil and miscellaneous branches of the Government. The figures demonstrate that we have not raised sufficient money even to pay for these expenditures, including none for the Army, none for the Navy, no interest on the public debt and no expenditures for veterans, Indians, or postal deficiencies, but only the ordinary expenditures after taking out those for the Army, the Navy, the postal deficiencies, interest on the public debt, and for veterans and Indians.

Here [indicating] are the receipts and for 5 of the 10 years the revenues have not even been sufficient to pay for the

expenditures merely for that little group of departments and bureaus that have nothing at all to do with the Army, the Navy, pensions, veterans, postal deficiencies, and interest on the public debt. Yet it was only the other day that we were talking about giving dictatorial powers to the President; it was only the other day that we amended the Monroe Doctrine; it was only the other day that we passed three or four billion dollars for national defense; it was only last night that the President of the United States said that some form of compulsory military training would be necessary; it was only the other day that Senators on this floor said we had to have fifty or a hundred thousand planes; it was only the other day that the Senator from Oklahoma asked for all aid possible to the Allies; and every day on this floor we are confronted with the fact that we are facing a serious emergency. What is the picture? It is suggested that we shall go home without even providing sufficient money to pay for the everyday routine expenses of the Government, let alone providing a cent for the Army or the Navy. Even with this tax bill enacted, we will be \$600,000,000 a year short of providing enough money for the other departments to function, without a cent going to the Army and Navy. Yet we are in the middle of an emergency.

Mr. KING. Mr. President—

Mr. TYDINGS. I yield to the Senator from Utah.

Mr. KING. I apologize to the Senator for interrupting him.

Mr. TYDINGS. I am glad to have the interruption.

Mr. KING. I did not quite understand the statement of the Senator that we had amended the Monroe Doctrine. My understanding is that we did not amend it; we merely reaffirmed it.

Mr. TYDINGS. I think perhaps that is a more accurate presentation of the picture; but we reaffirmed it because we were in a national emergency.

Mr. ADAMS. Mr. President—

Mr. TYDINGS. I will yield to the Senator in a moment. What do you think, Mr. President, of a great democratic government, the largest in the world, the richest in the world, the one with the most abundant resources in the world, that in a great national emergency when war draws near, when aid is being extended within certain limits to some of the belligerent nations, when proposals to give the President dictatorial powers are promulgated, when it is said we must have fifty to a hundred thousand airplanes, when we are tripling the size of our fleet, or getting ready to triple it, cannot even raise enough money to pay for its ordinary routine expenses without a dollar going to the Army and Navy? Do you think that a party or an administration can go before the country if these facts are known and hope to be sustained? If it can be sustained in the face of these facts, in my judgment, all our efforts are futile, for democracy is gone. We are doing exactly what they did in England and France. They wait until an emergency strikes them flat in the face and then are unprepared to cope with it. That is what England and France did as to defense; that is what we did as to defense, only we had more time; and that is exactly what we are doing now as to financial defense. The people of this country are perfectly willing, in my judgment, to pay taxes sufficient, at least, to pay for the ordinary routine expenditures of the Government without a dollar going to the Army and Navy. I do not believe the people of this country expect that in this emergency there will not be some additional costs, and they are willing to assume those additional costs, if they are reasonable and equitable, and we cannot effect the savings here, as a measure securing for themselves additional safety and protection.

I now yield to the Senator from Colorado.

Mr. ADAMS. Comments which have been made and the discussion which has taken place during the debate would seem to indicate misapprehension concerning the attitude of a number of Senators on this question. I should like to vote for a positive, definite, legislative reduction in governmental expenditures. I am perfectly willing to vote for 4 percent, 5 percent, or 10 percent reduction. I am not happy, however, about the form of this amendment or those which

preceded it, which merely provided for a reduction up to a certain amount, leaving it not to Congress but to the Executive to bring about the reduction.

As I understand the Senator's amendment, there is no limit put as to the amount of reduction that might be imposed upon any particular appropriation. What some of us are uneasy about is that the Executive, in all good faith, might not desire to economize in one place but would be quite willing to economize a hundred percent in some other place. Congress, having set aside these various appropriations, and having fixed the amounts, it is proposed to turn the duty over to the Executive and practically to give him a veto power on items in appropriation bills. I was wondering whether or not it would be possible to devise a practicable amendment which would absolutely indicate the items as to which Congress would require the cut to be made.

Mr. TYDINGS. The Senator's ground is well taken, and I share his reluctance with respect to economies, even in the way I have suggested, but I believe economies now are more important than mere forms, and, while I would prefer the form suggested by the Senator from Colorado, rather than have no economies at all, if this amendment is defeated I intend to take the amendment of the Senator from Wyoming and make it 5 percent and see if the Congress will authorize the Committee on Appropriations of both Houses to effect the saving of \$250,000,000 in place of \$500,000,000 which was just voted down.

Mr. ADAMS. It is somewhat more than a form; it is a matter of substance.

Mr. TYDINGS. Absolutely.

Mr. ADAMS. There might be a project in the State of South Carolina, or Wisconsin, or Louisiana, very much desired by the State and of great importance, but which, on the other hand, the President did not favor and for which he had not submitted a Budget estimate, and he might decide to take 100 percent off that project and make a saving there, and leave to the others the full amount appropriated.

Mr. OVERTON. Mr. President, will the Senator yield?

Mr. TYDINGS. I yield to the Senator from Louisiana.

Mr. OVERTON. In line with the suggestion made by the Senator from Colorado, the Senator from Maryland will recall that yesterday I proposed an amendment to what is known as the Byrd amendment, limiting the reduction on any particular appropriation item to 25 percent. The objection was made—and by reason of that objection, mainly, if not altogether, the amendment was defeated—that since the President was instructed to make a total reduction of 10 percent in the non-military items he might find it impossible to effectuate such a reduction if he were restricted to a reduction of not in excess of 25 percent on any one appropriation item. Now, however, the substitute amendment offered by the Senator from Maryland presents a different picture.

Mr. TYDINGS. I see what the Senator is driving at. I should be glad to have an alteration in my amendment along the lines the Senator suggests limiting the cut in any one department to not more than 25 percent; because now, with only a 5-percent reduction, that bottom would not be too stringent in order to fit it into the general scheme of economy; whereas before it might not have been possible to save \$500,000,000, when the proposal was on a 10-percent-cut basis, if a 25-percent limitation of cut had been fixed in the original amendment of the Senator from Virginia. So if the Senator will go to the desk and put in those words, I shall be glad to accept them as a part of my original amendment.

Mr. OVERTON. Suppose I read them now into the RECORD. I have them before me.

Mr. TYDINGS. If the Senator will do that, I shall be glad to accept the modification.

Mr. OVERTON. In the amendment proposed by the Senator from Maryland, after the words "appropriations

affected", at the conclusion of the first sentence, insert a colon and the following:

*Provided*, That in no case shall any appropriation item contained in any act appropriating money for the fiscal year ending June 30, 1941, be reduced by more than 25 percent.

Will the Senator from Maryland accept that modification?

Mr. TYDINGS. I accept it, because I think it would be perfectly possible to accomplish the desired result without going any further than 25 percent in any one department, and I know that that would be more in line with what I believe a great many Senators desire to bring about. I accept the modification.

Mr. President, there is no point in my talking here to a few Senators. There are only 19 who are in their seats. So we are in the midst of a great emergency. We are \$600,000,000 short of providing for the ordinary, routine expenditures of the Government without a cent going for the Army or Navy, as the majority have said over and over again that they do not want any economy. When we have exhausted that road I have several amendments to raise additional taxes, and I imagine that the same ones who want no economy will likewise vote against increases in taxation which might have been avoided if we had effected economy in whole or in part.

So the truth is that here in a great emergency, with the world on fire, with war out on the horizon, we are told, with thousands of planes demanded, with the Navy to be built up bigger than ever, with universal military training in the offing, and suggested in modified form, our way of taking care of this great emergency, which many say may ultimately involve us in war, is not even to pay for the ordinary, everyday, routine civil expenditures of the Government, without a cent going for Army and Navy.

Mr. BROWN. Mr. President—

Mr. TYDINGS. How democracy can survive with that type of government I do not know. How it can hope to cope with the emergency I do not know. With the signposts of France and England on the roadway to tomorrow for all who wish to run to read, we are bound, even determined, to walk the same roadway that they have walked to avoid facing a little bit of hostile criticism, to avoid taking the hard but the safe road to security; and all of this in the name of democracy.

I now yield to the Senator from Michigan.

Mr. BROWN. Mr. President, I do not think the Senator ought to complain about the absence of several of the Senators, because in the preface of his remarks he stated that many of us had heard this speech several times.

Mr. TYDINGS. That is correct.

Mr. BROWN. So possibly those who are not here have left for that reason. I have been interested right along in what the Senator has had to say, however.

Mr. TYDINGS. The Senator has heard this speech several times, and I take off my hat to him for his patience and tolerance in remaining.

Mr. BROWN. I have sat here and voted with the Senator from Maryland; but, if he will permit it, I should like to call attention to this matter:

I assume that the Senator is going to support this tax bill and vote for it—

Mr. TYDINGS. That is my present intention.

Mr. BROWN. Because it is a step toward bringing the expenditures and the receipts of the Government closer together. I do not want the Senator to think this is the only tax bill we are going to have. I asked the Secretary of the Treasury during the hearings these questions, beginning on page 22:

Senator BROWN. You anticipated, when you submitted these recommendations to the committees of Congress, that there would be a further tax revision in January and February of the coming year, at the next session of Congress, did you not?

Secretary MORGENTHAU. I have every reason to believe so.

Senator BROWN. That there should be?

Secretary MORGENTHAU. Yes.

Senator BROWN. And any revision that we then make would, of course, be effective as to the income taxes that are payable March 15 and each quarter thereafter in 1941?

Secretary MORGENTHAU. Yes.

Senator BROWN. I take it, then, that the attitude of the administration is, as expressed by you, that you prefer the passage of this tax bill now, with plain notice to the country that in January and February we expect a further revision of the tax laws?

Secretary MORGENTHAU. Yes; and if somebody could give me that resolution that was passed in the House I would read it.

The CHAIRMAN. Here is the report of the committee, as I understand it.

"STUDIES OF EXCESS-PROFITS TAXES AND SPECIAL AMORTIZATION

"During the executive sessions, there have been discussed proposals to provide special amortization for national-defense industries and to provide for the imposition of excess-profits taxes. These two measures—each in itself requiring a complicated and exhaustive legislative project—must be considered together. It is the desire of this committee, which is favorably reporting a bill which will enable a larger proportion of our citizens to participate in the responsibility of providing an adequate national defense than has ever been the case before. Thus there shall not be an opportunity for the creation of new war millionaires nor further substantial enrichment of already wealthy persons because of the rearmament program. Accordingly we have instructed our technical assistants and the appropriate Treasury officials to accelerate their work in these two fields so that bills will be prepared for submission not later than the opening of the next session of Congress, which if passed by the Congress may become retroactive and apply to income earned during the calendar year of 1940, or may become effective upon any other date which Congress, in the light of information it then possesses, may deem advisable."

Senator BROWN. Is that the resolution you had in mind?

Secretary MORGENTHAU. That is the resolution I had in mind. That was the resolution that I was authorized by the President to say was not only acceptable, but pleasing to him, and he made the same statement, I understand, at his own press conference yesterday.

Senator BROWN. Well, I am in sympathy with the resolution and I think it is a good thing that it was said, but I don't think it should be interpreted to mean that either the Treasury Department or the House and Senate committees should confine themselves to those particular taxes, because there are many other avenues of revenue open that could be considered. For instance, as the members of the committee well know, I have long been interested in the question of taxing the income on State and municipal bonds and permitting the taxation of Federal bonds to the fullest extent, and cutting out all tax-exempt features. I think that should be considered.

Senator CLARK. In that connection, if the Senator will permit me, and it seems to me to be very applicable to this pronouncement, to say that on the tax bill last year the Senator knows that I had prepared, and, as a matter of fact, was on the point of offering, an amendment to the tax bill on the very subject which the Senator from Michigan is now mentioning, and the representatives of the Ways and Means Committee came over and said, "Please don't do that this year; it will delay the consideration of this bill; it will delay adjournment; and the Ways and Means Committee is now preparing studies and will have a bill in before the end of this session."

That session ended and this session is about to end, and the bill has never come over, and it seems to me we cannot afford to postpone legislation on that promise of the Ways and Means Committee.

Senator BROWN. I joined in the effort to prevent the bond tax from being imposed in the last revenue bill, and I may say I will again join in that effort if I am reasonably well assured that that will be considered in a tax bill which will be submitted in January or February of next year, but I don't think we should confine ourselves to that tax but should consider other revenues also.

There are many other revenues. I have discussed a manufacturer's sales tax, and I understand that has been considered by the informal committee that presented this bill, and I think it should be included in any study. But my main point is this, I was much interested, as I said earlier, in the answer to the question asked by Senator CONNALLY, and I thought possibly, in view of what has been said, that your answer might be revised to some extent, and I submit that to you now.

Do you not think, Mr. Secretary, that the Treasury would be in a better position after having had the experience of the operation of this tax bill, particularly with respect to the excise part of it, to advise the Congress after 3 or 4 or 6 months as to the new taxes which should be considered in January and February?

Secretary MORGENTHAU. I don't think there is any question about that.

Senator BROWN. I take it, then, that the recommendation of the Treasury Department is that we pass this bill with an assurance to the country that the entire subject will be fully gone into by your experts between now and January, and that you will submit additional recommendations for taxes at that time?

To which the Secretary assented.

I fully agree with the Senator from Maryland that we shall have to tax much more than we propose to tax in this bill; but I think we ought to go about it carefully. I think

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we ought to give the Treasury an opportunity to make a full study between now and September or October, at which time we are assured by the Treasury Department that it will be in much better position than at present to submit recommendations for new taxes. The Secretary stated that he was speaking for the President and for the administration, but I want to leave with the Senator the thought that I do not think he ought to denounce this tax bill as he does, with the statement that we have brought in a tax bill that is inadequate. It is a step in the right direction. It is bringing the revenues and the expenditures of the Government a billion dollars closer together than they were before.

Mr. TYDINGS. I thank the Senator for what he says; and, of course, I never presupposed that this would be the last tax bill Congress would ever write. I am not dealing with the year 1941. I am dealing with the year 1940, and trying to call to the attention of Congress, the administration, and the country the fact that we have a big job to do, and we are not doing it. What the Senator has said applied in a military way, and I know he is in general accord with all the preparedness we can get; but let us transfer the financial preparedness for a minute to military preparedness, and while it is not a complete analysis the same thread of logic runs through it.

I remember that when the European war broke out between England and France on the one hand and Germany on the other, it was called a phony war. The winter went by, and when the springtime came I remember that General Ironsides for the British Government and General Gamelin for the French Government both said that the interim between September and spring had given them sufficient time to prepare, and that they were ready to meet the enemy. We know all about that now. That was only partial preparedness. It was not good preparedness. It was only a smattering. It was not thorough and efficient. When the Germans prepared, they thoroughly prepared their military and naval and air machine insofar as they could. The Allies thought that a little preparation would be sufficient, and today the contrast between those two types of preparation is written in the misery, and the blood, and the loss of territory, the loss of liberty, and the loss of treasure all over France and all over Great Britain.

I am one of those who do not want to say on this floor that I believe that either Mr. Hitler or Mr. Mussolini has any designs on the United States. They may have; I do not know. They may not have; I do not know. I certainly feel that our job here is to put this country in a state of complete and adequate defense, in case they have. If they have not, so much the better, but if they have, we should be ready to meet them.

One of the component parts of putting this country in an adequate state of defense is to build up our financial defenses. We have left them down for 10 long years. If this were a picture of something a year or two old, what the Senator from Michigan says would be more in point, but this has been the condition of the Treasury since June 30, 1930. Two billion seven hundred million dollars a year more has been spent than we took in, \$1,100,000,000 a year as the cost of the Army and the Navy, leaving \$1,600,000,000 a year needed in new revenue before any of the yearly cost of past, present, or future defense is paid for.

Now, let us see what that means in terms of human misery and suffering, welfare, if you please, humanitarianism. Only yesterday I attempted to point out that of the approximately \$6,000,000,000 a year of present current revenue which the national Government receives it gets \$2,500,000,000 from the corporations and the income-tax payers of the Nation. Two billion five hundred million dollars is all our Government gets from all the income-tax payers, rich and poor, and all the corporations, large and small.

Where do we get the other \$3,500,000,000 a year? We get it from the great masses of the people, the poor people of the country. They are paying nearly 60 percent of all the money we obtain with which to run this Government, and

the wealthy, the powerful, and the big corporations, together, even when we take 80 percent of all they earn, produce only about \$2,500,000,000 for the Government.

How much more can we get from the well-to-do and the corporate interests of the country to meet the deficit? I stated a few days ago that if we took every dollar from every person in the United States who had an income of \$100,000 a year or more, we would have only \$960,000,000, just about 10 percent of what we spent last year and are to spend the coming year. We are already taking the vast majority of all that \$960,000,000 collected from the wealthy people, so that there is only a small residue left where we can extract more money from the people in that class without taking it all. We are getting the majority of the money in cigarette taxes, amusement taxes, gasoline taxes, tariff taxes, and hundreds of direct and indirect taxes from the poor people of the Nation.

What does a national debt do? A national debt makes it imperative to impose still more taxes at some time or other on those who can bear them least, the poorer people of the Nation, and when the ultimate day of that sort of taxation comes it reduces the salary of every moderate-salaried and poorly salaried person in the United States, because it takes more from what they earn and leaves them less with which to sustain themselves and their families.

Postponed taxation, deficits, and increasing debt are the surest road to reduced wages, diminished consuming power, and lowered standards of living.

What we are coming to is not the situation which I have described for the past 10 years, but we are coming to such a condition that that will look like a mild May morning compared with the prospect for the immediate future. We are not going to have deficits of \$2,700,000,000 a year, as we have had for the past 10 years; we are going to have deficits of \$4,000,000,000, \$5,000,000,000, \$8,000,000,000, \$10,000,000,000, and perhaps \$12,000,000,000 a year. We cannot have 50,000 or 100,000 airplanes, with all the pilots, with all the mechanics necessary, we cannot build up our Navy to twice or three times its present size, and even with new taxes, have deficits as small as those with which we have been confronted. We are approaching the time when such a condition will look almost like a balanced Budget, barring accidents.

The time to pay taxes and to get taxes is when the people are in the best condition to afford them. So far as I can see, the prospects are that there is not likely to be another year in which the people will be as well able to pay additional taxes as they are now, for after the war is over, regardless of who wins it, regardless of the fact that we may stay out of it, a terrific world-wide depression is certain to ensue. With famine and disease and pestilence sweeping Europe, perhaps Asia, and perhaps Africa, in my judgment we will appropriate hundreds of millions of dollars for food and medical supplies for persons out of our own country in the emergency. But our own people will be economically stricken as well, and we will not have the opportunity, in my judgment, to obtain new taxes as easily as we could get them today.

The trouble with democracy, wonderful as it is, is that it does not prepare in time for the inevitable. That is its curse. Liberty is its blessing. In order to keep its blessing, we must eliminate its curse, which is failure to appreciate coming events and set the machinery of government so as to cushion the impact of dire and unwelcome circumstances.

Mr. President, if the amendment should be defeated—and I trust it will not be—it is my purpose to offer later some amendments, which I have worked out with the joint committee on taxation of the Congress, providing new taxes. I certainly feel that, these amendments being well considered and projected by experts, Congress either should effect a saving on the one hand, or an increase in taxation on the other, or, as I see it, we will not have met an emergency which we should meet before Congress adjourns.

The PRESIDING OFFICER (Mr. HATCH in the chair). The question is on agreeing to the amendment offered by the Senator from Maryland, as modified, in the nature of a substitute for the amendment of the committee, as amended.

Mr. BARKLEY. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Donahey	Lucas	Schwollenbach
Andrews	Downey	McCarran	Sheppard
Austin	Ellender	McKellar	Shipstead
Bankhead	George	McNary	Smathers
Barkley	Gerry	Maloney	Smith
Bilbo	Gillette	Mead	Taft
Bridges	Green	Miller	Thomas, Okla.
Brown	Guffey	Minton	Thomas, Utah
Bulow	Gurney	Murray	Townsend
Burke	Hale	Neely	Truman
Byrd	Harrison	Norris	Tydings
Byrnes	Hatch	Nye	Vandenberg
Capper	Hayden	O'Mahoney	Van Nuys
Caraway	Herring	Overton	Wagner
Chandler	Holt	Pittman	Walsh
Chavez	Johnson, Colo.	Radcliffe	Wheeler
Clark, Idaho	King	Reed	White
Clark, Mo.	La Follette	Reynolds	Wiley
Connally	Lee	Russell	
Danaher	Lodge	Schwartz	

The PRESIDING OFFICER. Seventy-eight Senators have answered to their names. A quorum is present.

Mr. TYDINGS. I ask for the yeas and nays. I hope Senators will give me a vote on the amendment.

The yeas and nays were ordered, and the legislative clerk proceeded to call the roll.

Mr. CHANDLER (when his name was called). I have a general pair with the senior Senator from Pennsylvania [Mr. DAVIS]. I transfer that pair to the senior Senator from New York [Mr. WAGNER], who, I am advised, would vote "nay," and will vote. I vote "nay."

Mr. SHIPSTEAD (when his name was called). I have a general pair with the senior Senator from Virginia [Mr. GLASS]. I am informed that if present he would vote "yea." If at liberty to vote, I should vote "nay."

The roll call was concluded.

Mr. MCKELLAR. My colleague [Mr. STEWART] is unavoidably detained. He has a pair with the Senator from Oregon [Mr. HOLMAN]. I am advised that if present and voting he would vote "nay."

Mr. BANKHEAD. I announce that my colleague [Mr. HILL] is necessarily absent from the Senate on official business. If present, he would vote "nay."

Mr. MINTON. I announce that the Senator from Arizona [Mr. ASHURST], the Senator from North Carolina [Mr. BAILEY], the Senator from Washington [Mr. BONE], the Senator from Texas [Mr. CONNALLY], the Senator from Virginia [Mr. GLASS], the Senator from Minnesota [Mr. LUNDEEN], the Senator from Delaware [Mr. HUGHES], the Senator from West Virginia [Mr. NEELY], the Senator from Florida [Mr. PEPPER], the Senator from Nevada [Mr. PITTMAN], the Senator from Illinois [Mr. SLATTERY], and the Senator from New York [Mr. WAGNER] are necessarily detained.

Mr. AUSTIN. The Senator from Oregon [Mr. HOLMAN] is paired with the Senator from Tennessee [Mr. STEWART]. The Senator from Oregon would vote "yea" if present.

The Senator from Vermont [Mr. GIBSON] is paired with the Senator from Illinois [Mr. SLATTERY]. The Senator from Vermont would vote "yea" if present.

The Senator from Idaho [Mr. THOMAS] and the Senator from New Hampshire [Mr. TOBEY] are absent on official business. I am advised that if the Senator from New Hampshire were present he would vote "yea."

The Senator from Pennsylvania [Mr. DAVIS] is absent because of illness in his family.

The Senator from North Dakota [Mr. FRAZIER] is necessarily absent.

The Senator from New Jersey [Mr. BARBOUR] is absent on official duties.

The result was announced—yeas 32, nays 41, as follows:

YEAS—32			
Adams	Danaher	Johnson, Colo.	Taft
Austin	George	Lodge	Townsend
Bridges	Gerry	McNary	Tydings
Brown	Gillette	Overton	Vandenberg
Burke	Gurney	Radcliffe	Van Nuys
Byrd	Hale	Reed	Walsh
Capper	Harrison	Smathers	White
Clark, Mo.	Holt	Smith	Wiley

NAYS—41

Andrews	Downey	McCarran	Russell
Bankhead	Ellender	McKellar	Schwartz
Barkley	Green	Maloney	Schwellenbach
Bilbo	Guffey	Mead	Sheppard
Bulow	Hatch	Miller	Thomas, Okla.
Byrnes	Hayden	Minton	Thomas, Utah
Caraway	Herring	Murray	Truman
Chandler	King	Norris	Wheeler
Chavez	La Follette	Nye	
Clark, Idaho	Lee	O'Mahoney	
Donahay	Lucas	Reynolds	

NOT VOTING—23

Ashurst	Frazier	Johnson, Calif.	Slattery
Bailey	Gibson	Lundeen	Stewart
Barbour	Glass	Neely	Thomas, Idaho
Bone	Hill	Pepper	Tobey
Connally	Holman	Pittman	Wagner
Davis	Hughes	Shipstead	

So, Mr. TYDINGS' amendment, as modified, in the nature of a substitute for the committee amendment, as amended, was rejected.

AMENDMENT OF SOIL CONSERVATION AND DOMESTIC ALLOTMENT ACT—CONFERENCE REPORT

Mr. BANKHEAD submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 9594) to amend section 12 (b) of the Soil Conservation and Domestic Allotment Act, as amended, by authorizing the transfer of funds to cover advances for crop insurance, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 3, 4, 5, 6, and 8, and agree to the same.

That the House recede from its disagreement to the amendment of the Senate numbered 7 and agree to the same with an amendment as follows:

Strike out "to make grants of aid" in such amendment and insert in lieu thereof "to make advances"; and the Senate agree to the same.

That the House recede from its disagreement to the amendment of the Senate to the title of the bill.

J. H. BANKHEAD,  
CARL A. HATCH,  
ALEXANDER WILEY,

*Managers on the part of the Senate.*

MARVIN JONES,  
H. P. FULMER,  
WALL DOXEY,  
CLIFFORD R. HOPE,  
J. ROLAND KINZER,

*Managers on the part of the House.*

Mr. BANKHEAD. Mr. President, the Senate made certain amendments to the House bill. The House has agreed to the Senate amendments, with one verbal change. I move the adoption of the conference report.

The PRESIDING OFFICER. Is there objection to the present consideration of the conference report? The Chair hears none. The question is on agreeing to the report.

The report was agreed to.

REVENUE BILL OF 1940

The Senate resumed the consideration of the bill (H. R. 10039) to provide for the expenses of national preparedness by raising revenue and issuing bonds, to provide a method for paying for such bonds, and for other purposes.

Mr. DANAHER. Mr. President, I call up an amendment which has been lying on the table and ask that it be stated.

Mr. HARRISON. Mr. President, the committee amendment, as amended, is still pending. It ought to be disposed of before any other amendment is taken up.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment on page 33, as amended.

Mr. BYRD. Mr. President, the amendment offered by the Senator from Kentucky [Mr. BARKLEY] yesterday completely nullified the purpose of the amendment proposed by the committee. The President now has all the authority the amendment would confer on him. He now has the authority to withhold appropriations, and therefore the amendment is a useless gesture. In the interest of sincerity and frankness I ask unanimous consent that section 403 be deleted from the bill.

Mr. HARRISON. Mr. President, I object. Let the Senate pass upon the committee amendment in the regular way.

The PRESIDING OFFICER. Objection is heard.

Mr. CLARK of Missouri. Mr. President, I ask for the yeas and nays.

Mr. BYRD. I ask that the committee amendment be voted down.

The yeas and nays were ordered.

Mr. CLARK of Missouri. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. CLARK of Missouri. As I understand, this vote is on the committee amendment known as the Byrd amendment as amended.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment, as amended. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. CHANDLER (when his name was called). I have a pair with the senior Senator from Pennsylvania [Mr. DAVIS]. I do not know how he would vote. I therefore withhold my vote.

Mr. SHIPSTEAD (when his name was called). Making the same announcement as before, I am informed that the senior Senator from Virginia [Mr. GLASS], if he were present and voting, would vote as I shall vote. I vote "nay."

The roll call was concluded.

Mr. MINTON. I announce that the Senator from Arizona [Mr. ASHURST], the Senator from North Carolina [Mr. BAILEY], the Senator from Virginia [Mr. GLASS], the Senator from Delaware [Mr. HUGHES], the Senator from Utah [Mr. KING], the Senator from Minnesota [Mr. LUNDEEN], the Senator from Connecticut [Mr. MALONEY], the Senator from Florida [Mr. PEPPER], and the Senator from Illinois [Mr. SLATTERY] are necessarily detained.

Mr. MCKELLAR. My colleague [Mr. STEWART] is unavoidably detained. He has a pair with the Senator from Oregon [Mr. HOLMAN].

Mr. AUSTIN. The Senator from New Jersey [Mr. BARBOUR] is absent on official duties.

The Senator from North Dakota [Mr. FRAZIER] is necessarily absent.

The Senator from Vermont [Mr. GIBSON] is paired with the Senator from Illinois [Mr. SLATTERY].

The Senator from Oregon [Mr. HOLMAN] is paired with the Senator from Tennessee [Mr. STEWART].

The Senator from Pennsylvania [Mr. DAVIS] is absent because of illness in his family, and the Senator from Idaho [Mr. THOMAS] and the Senator from New Hampshire [Mr. TOBEY] are absent on official business.

The result was announced—yeas 14, nays 63, as follows:

YEAS—14

Bridges	Gurney	Radcliffe	White
Brown	Hale	Reed	Wiley
Danaher	Harrison	Taft	
George	McKellar	Vandenberg	

NAYS—63

Adams	Connally	Lodge	Schwartz
Andrews	Donahay	Lucas	Schwellenbach
Austin	Downey	McCarran	Sheppard
Bankhead	Ellender	McNary	Shipstead
Barkley	Gerry	Mead	Smathers
Bilbo	Gillette	Miller	Smith
Bone	Green	Minton	Thomas, Okla.
Bulow	Guffey	Murray	Thomas, Utah
Burke	Hatch	Neely	Townsend
Byrd	Hayden	Norris	Truman
Byrnes	Herring	Nye	Tydings
Capper	Hill	O'Mahoney	Van Nuys
Caraway	Holt	Overton	Wagner
Chavez	Johnson, Colo.	Pittman	Walsh
Clark, Idaho	La Follette	Reynolds	Wheeler
Clark, Mo.	Lee	Russell	

NOT VOTING—19

Ashurst	Frazier	Johnson, Calif.	Slattery
Bailey	Gibson	King	Stewart
Barbour	Glass	Lundeen	Thomas, Idaho
Chandler	Holman	Maloney	Tobey
Davis	Hughes	Pepper	

So the committee amendment, as amended, was rejected.

Mr. DANAHER. Mr. President, a parliamentary inquiry. The PRESIDING OFFICER. The Senator will state it.

Mr. DANAHER. Does that complete the committee amendments?

The PRESIDING OFFICER. That completes the committee amendments. The bill is still before the Senate and open to further amendment.

Mr. DANAHER. I thank the Chair.

Mr. President, I offer an amendment which has been lying on the table, and ask that it be stated.

The PRESIDING OFFICER. The amendment offered by the Senator from Connecticut will be stated.

The CHIEF CLERK. At the proper place in the bill it is proposed to insert the following:

Section 205 of an act entitled "An act relating to the taxation of the compensation of public officers and employees", approved April 12, 1939, is hereby amended by adding thereto a new paragraph to read as follows:

"(b) Compensation provided by the United States to be paid as income, whether directly or indirectly, to State employees engaged in the administration of the Social Security Act, approved August 14, 1935 (49 Stat. 620), shall not be subject to retroactive taxation for the years 1936, 1937, and 1938 and prior years."

Mr. DANAHER. Mr. President, when the Public Salary Taxing Act was passed in 1939, consequent upon a series of decisions enunciated by the Supreme Court in that year, steps were taken to relieve from retroactive taxation salaries paid to State employees which up to that time had been considered exempt from taxation. However, Mr. President, many employees of the States whose compensation is derived either in whole or in part from funds provided by the United States Government for the administration of the Social Security Act found, due to a ruling of the Commissioner of Internal Revenue, that they were not comprehended within the intent and purport of the statute which the Congress passed. The net result is that thousands of employees of the States throughout the country now engaged in the enforcement of the Unemployment Compensation Act, and others under the Social Security Act, are being asked to pay retroactively taxation on salaries earned by them in the years 1936, 1937, 1938, plus a penalty of 25 percent, plus interest at 6 percent.

Mr. President, those employees have no objection whatever to being included, as are any other employees from now on, in the liability for income-tax payments; but it certainly comes as a most undue hardship on those employees, whose salaries have been obligated throughout the years, to find at this late date that they are the victims of retroactive taxation.

Insofar as the language in our statute of last year failed to include that type of employee, I submit that we failed in so much of our intentment and so much of our purpose as to negate entirely the sense of fairness with which we should approach such a situation.

There is no reason in the world why one group of employees should be subjected to retroactive taxation and no other group be held liable for such an imposition. There is no reason, on the other hand, why for salaries earned in the year 1939 they should not be held, as are all other employees, for income tax in the year 1940. To that end they have filed their returns, are paying their taxes, and from now on will be held liable, as are all other employees, for such taxes.

Mr. O'MAHONEY. Mr. President, will the Senator yield for a question?

Mr. DANAHER. I yield.

Mr. O'MAHONEY. I ask the Senator what his construction is of the first phrase of the proposed addition to the act of April 12, 1939:

Compensation provided by the United States to be paid . . . to State employees.

Does the United States fix the amount of compensation paid to State employees and does the United States pay the compensation?

Mr. DANAHER. No; but let me say to the Senator that his question goes right to the very root of the problem, for, as the United States Treasury covers into the treasury of the State the appropriation allotted to the State for execution and administration of unemployment compensation and other

similar phases of the Social Security Act within the State, there is no segregation of the amount, let me say to the Senator, for individual employees or for any number of them. Consequently such employees have always been considered to be State employees since, theoretically, they were being paid out of State funds which emanated from the State treasury and were paid to the specific employees as salary and compensation as such employees, but the reservoir, so to speak, upon which the State treasury drew was the United States Treasury, even though the funds were not earmarked for specific employees. Consequently in 1934 the Commissioner of Internal Revenue held that if the compensation of the State employee was paid wholly or in part, directly or indirectly, from Federal funds such part was taxable.

However, the General Counsel of the Treasury Department in 1937 issued a ruling to the effect, since those particular funds could not be earmarked, and could not be traced, that it could not be said that the individual employee actually got his money from the Federal Treasury.

Mr. O'MAHONEY. The point to which I should like to call the attention of the Senator is that under the language of his amendment it may be doubtful whether the State employees he desires to protect will receive any protection, because his amendment applies only to "compensation provided by the United States to be paid" to State employees. I think what the Senator's desire to provide for is the case of compensation paid as income to State employees from Federal appropriations.

Mr. DANAHER. I think that is a correct statement; but I also think that the language before us in lines 5 and 6 will cover it. If the Senator has any misapprehension on that point, I will most certainly and gladly welcome any assistance from his splendid legal mind to make certain that there shall be no liability by way of retroactive taxation against State employees.

Mr. O'MAHONEY. May I say that when the amendment before us refers specifically to "compensation provided by the United States to be paid," it means only such compensation as the United States, by some legislative or administrative act, requires to be paid, and I do not think that is the case with respect to the employees the Senator is trying to protect.

Mr. BARKLEY. Mr. President—

Mr. DANAHER. I will yield in a moment. Let me say to the Senator from Wyoming that because of the fact that the Commissioner had ruled that since the moneys hitherto were coming out of the State treasury, there was not any exemption now from retroactive taxation, I tried to make certain that the money that was provided by the United States to be paid as compensation, and hence as income, to the individual would be held tax-free, at least, so far as retroactive taxation is concerned, not otherwise. That is all I sought to do and hoped that I had done.

Mr. O'MAHONEY. It is very difficult, of course, upon the floor of the Senate to draft technical language; but, as I indicated a moment ago, I think the actual situation is that the Senator wants to reach salaries which are paid by the State out of funds appropriated by the Federal Government for the Social Security Act, and I am afraid his amendment does not say that.

Mr. DANAHER. I thank the Senator for his thought and his assistance, and I welcome his cooperation. I now yield to the Senator from Kentucky.

Mr. BARKLEY. Mr. President, I wish to inquire whether the Senator's amendment is sufficiently comprehensive? It only deals with employees of the States working under the Social Security Act. Are there not other State employees upon which the tax might be retroactive unless there is a more comprehensive provision?

Mr. DANAHER. Let me answer the Senator from Kentucky in this way by reading, first, section 205 of the act of April 12, 1939, an amendment to which I am now seeking. Section 205 reads:

Compensation shall not be considered as compensation within the meaning of sections 201, 202, and 203, to the extent that it is paid directly or indirectly by the United States or any agency or instrumentality thereof.

When we put that last year in what is known as the Public Salary Taxing Act, sections 201, 202, and 203, referred to the protection against retroactive taxation of State employees, and apparently at that time it was felt that that language was sufficiently broad to cover all other classes. In any case let me say to the Senator from Kentucky I know of no other class at the moment which is affected.

Mr. BROWN. Mr. President, will the Senator yield to me?  
Mr. DANAHER. I gladly yield.

Mr. BROWN. I desire to say to the Senator from Kentucky that, as he may recall, I handled the Public Salary Tax Act in the Senate, and it was never our intention to exempt from retroactive taxation the class of employees to which the Senator from Connecticut is referring. It was not retroactive taxation then. Since 1934 the Treasury has ruled that this class of employees were taxable.

I am in opposition to the amendment proposed by the Senator from Connecticut; I do not think it should be adopted. Certainly, as the Senator from Kentucky intimated, if we are going to take this action with regard to social-security employees, we ought to do it as to all that class of employees; but I do not think we should exempt them at all. They should have paid the tax all these years.

Mr. BARKLEY. I was raising the question the Senator has raised, that if we are to do it for this class of employees, who are appointed by the State and paid in part by the State and in part by the Federal Government, and some of them altogether by money out of the Treasury of the United States, it should be done with respect to all other employees appointed by the State and paid either out of State or paid out of Federal money.

I am not advocating this amendment. I was simply inquiring whether it sets up a special class and exempts them, whereas others who are public officials in the States are not exempted.

Mr. BROWN. None of them should be exempted.

Mr. DANAHER. Let me point out to the Senator from Kentucky that the State employees in his own State and in my State were excepted from retroactive taxation after the decision in the case of Gregory against O'Keefe in 1939. They never were held answerable for income tax until the United States Government—

Mr. MILLER and Mr. GEORGE addressed the Chair.

Mr. DANAHER. I will yield in a moment when I complete this thought. The United States Government never attempted to levy a tax upon the income of such employees. Then, when by the act we passed we attempted to protect them against retroactive liability which had been asserted as the result of the Supreme Court's decision, we did give them that protection; we did not give protection to the class of employees engaged in administering the Social Security Act.

I now yield to the Senator from Arkansas, if the Senator from Georgia will pardon me.

Mr. MILLER. I agree with the Senator from Kentucky that this amendment is not sufficiently broad to reach all the classes which have been affected and which are required to pay this retroactive tax. If the Senator will pardon me, I will state the situation which exists in Arkansas.

The employees in the welfare department, in the social security and the other departments, although State employees, their salaries being paid in whole or in part by Federal funds, have paid a State income tax for those years on the theory that their salaries were paid from State funds. In fact, the attorney general of Arkansas answered an inquiry from one of the employees and advised him that, notwithstanding the funds were supplied by the Federal Government, when they went into the State treasury they lost their identity as Federal funds and became State funds, and therefore, under the State law, they were subject to a State income tax, but not subject to a Federal income tax. So, unless this amendment is adopted, those persons will be discriminated against to the extent of the Federal taxes that they are required to pay for 1936, 1937, and 1938, because they have paid a State income tax on the funds, thinking they were State funds.

Mr. DANAHER. Let me say to the Senator from Arkansas that under the present ruling they will also pay a Federal tax for the very same years.

Mr. MILLER. That is what I say. They will be discriminated against to that extent for those 3 years.

Mr. DANAHER. I thank the Senator from Arkansas.

Mr. MILLER. If the Senator will yield further—

Mr. DANAHER. Yes.

Mr. MILLER. I think the Senator's amendment does not go far enough, because it deals only with employees under the Social Security Act, whereas persons appointed in the same way are employed under the various other welfare acts. They are even employed under the W. P. A. and other agencies.

Mr. DANAHER. Let me say to the Senator from Arkansas that so long as we agree on the principle of this thing—that we should not tax retroactively the income of State employees—I am perfectly willing to include others, if there be other classes than those enumerated in the amendment I propose. My point was directed to this particular class for the reason that I knew that in Connecticut, my State, there are over 250 persons in the unemployment compensation division alone who are being seriously affected by the demands issued this month by the collector, requiring 3 years' back tax, 25-percent penalty, and 6-percent interest. I am perfectly willing that the amendment be broadened to include all those who properly should be included.

Mr. MILLER. Mr. President, will the Senator further yield?

Mr. DANAHER. I do.

Mr. MILLER. The Senator from Michigan was correct in his statement that the committee which handled that particular legislation—and I happened to be a member of the committee, of which the Senator was chairman—did not intend to relieve of taxes anybody who had not paid taxes; but the equity of the amendment offered by the Senator from Connecticut is that these employees have paid taxes under the State Income Tax Act that they would not have had to pay to the State, but would have had to pay to the Federal Government, if they were Federal funds, as has now been held.

Mr. DANAHER. That is the fact.

I now yield to the Senator from Georgia.

Mr. GEORGE. Mr. President, I desire to call attention to the fact that to the extent that the salary of the so-called State employee was paid out of Federal funds, the public salary act is wholly ineffective. The Federal Government has always had authority to tax and power to tax so much of the salary as was paid by the Federal Government, on the same theory that those in the legislative branch have paid income-taxes on their salaries. The Senator's amendment would relieve them of all taxes. It would relieve them of income-taxes assessed against that part of the salary paid by the State as well as that part of the salary paid by the Federal Government; and since 1935, at least, there should have been no doubt that the salary paid by the Federal Government was subject to the income tax.

Mr. DANAHER. Mr. President, let me say to the Senator from Georgia, because of his last reference, that I was seeking to reach that very point from the Senator from Wyoming, who had a question a few minutes since, as the Senator from Georgia may have noticed. I sought to reach it by saying, in line 5, that the compensation provided by the United States to be paid as income shall not be subject to retroactive taxation.

Mr. GEORGE. The Senator's amendment is limited, then, to that portion of the tax paid. I call the Senator's attention, however, to what has been suggested by other Senators—that there are many other so-called State employees who receive their compensation in whole or in part out of funds provided by the Federal Government. That is true even of the National Guard. It is true of the teachers of vocational education. It is true of many of the teachers in the land-grant colleges. It is true of the general welfare workers. It would hardly be fair to relieve one group—that

is, those who are administering the social security law—and leave the burden resting on the others.

Mr. DANAHER. Mr. President, as I said to the Senator from Arkansas, I certainly am not trying to limit this amendment to one narrow class. Quite the contrary; I am simply trying to achieve what seems to me to be the sheer equity of the situation, that nobody who properly should have received exemption, except for the Supreme Court decision of last January, should now be subjected to a retroactive tax.

Mr. TYDINGS. Mr. President—

Mr. DANAHER. I yield to the Senator from Maryland.

Mr. TYDINGS. I desire to say to the Senator from Connecticut that I have to go to a meeting of the Committee on Naval Affairs; and I should like to know if it would divert him if I should ask the chairman of the Finance Committee a question, which will take only about a minute?

Mr. DANAHER. Indeed not. I yield to the Senator.

Mr. TYDINGS. The Senator from Mississippi [Mr. HARRISON], the chairman of the Finance Committee, in charge of this bill, is anxious to get it through. I have pending several amendments which I should like to have voted on; but in view of what happened here this afternoon, I fear that it would probably only be a waste of effort. In the event those amendments are not offered on the floor this afternoon, I ask the Senator from Mississippi when he feels that the Committee on Finance or the Committee on Internal Revenue Taxation or the Committee on Ways and Means is likely to meet, so that the amendments could be considered in line with new taxes to be raised in addition to those included in the pending bill?

Mr. HARRISON. Mr. President, I do not know that I can give the Senator any definite information about the matter. It is presumed that if circumstances justify it or necessitate it, we may have to raise much more revenue by taxes. It has been a mooted question whether or not there would be an adjournment on Saturday night. At present it seems that there is likely to be a recess for several weeks. I do not know whether or not definite plans have been made in regard to the matter; but it seems to me that if the circumstances justify it—and events now tend in that direction—the Ways and Means Committee will begin the consideration of these questions, which are somewhat urgent.

Mr. TYDINGS. At this session?

Mr. HARRISON. Yes; at this session; because if we recess, the session will probably be a prolonged one. Anyway, I think at the first opportunity they will go into the subject. The Finance Committee, I am sure, will cooperate right along that line.

Mr. TYDINGS. Then I take it that it is the Senator's opinion that in the event the Congress does not adjourn next Saturday, but takes a recess instead, it is the present probability that the Committee on Ways and Means of the House will immediately start hearings and the consideration of additional taxes?

Mr. HARRISON. Yes; I think we are going to start right away. I hope so, because there are one or two questions that must be settled by Congress. No one wants to see any war millionaires made through the legislation we pass; and there may have to be an excess-profits tax, but it should be very carefully studied. All the experts should be at work on it; and I have been advised by the Treasury that it would be at least 2 months before a well-written excess-profits tax law could be framed, free of loopholes, and at the same time fair, and one that would bring in more revenue. So I think that is one of the propositions we shall have to start considering, because I want to bring it back to Congress and have it passed as quickly as possible.

Mr. TYDINGS. I thank the Senator for what he has said. Of course, when I first attempted to have adopted some amendments looking toward economy and additional taxation, they were predicated upon the thought that Congress would probably adjourn and go home, and that we would not have any new tax legislation until after January. Now it begins to appear that the probabilities are that the Ways and Means Committee of the House will immediately go into

this tax question again without waiting for January, as soon as the pending tax bill is out of the way. While there is nothing definite about that situation, with the Senator's assurance of his position, and the probabilities as they are, I am inclined to let the matter stand as it is, believing that it would be futile anyway to try at this time to have amendments adopted to the bill, in view of the happenings of the last 4 or 5 days. I will take the amendments before the Ways and Means Committee and the Finance Committee, in the hope that if they meet immediately the amendments may be enacted and furnish some additional revenue.

Mr. HARRISON. I hope the Senator will take that course.

Mr. BYRD. Mr. President, will the Senator from Connecticut yield to me?

Mr. DANAHER. I yield.

Mr. BYRD. I am very much encouraged by what the Senator from Mississippi, the chairman of the Committee on Finance, has said—that some hearings will be begun on tax legislation—because I, for one, think the pending bill is totally inadequate to meet the emergency. Like the Senator from Maryland, I also have an amendment which I intend to offer to make the collection of taxes retroactive on incomes earned in 1939; but with the assurance from the Senator from Mississippi that early meetings of the Finance Committee will be held, I shall withhold the amendment.

I wish to impress upon the Senate and upon the Senator from Mississippi the urgency and the necessity of passing additional tax legislation at the earliest possible time.

Mr. HARRISON. A war-profits tax may be proposed. If we get into war, we must have a war-profits tax. Otherwise we must have an excess-profits tax applied to those who are dealing in things necessary for use in war. But such taxes must be studied very carefully, and I am very hopeful that the Ways and Means Committee, if they desire, will work with the Committee on Finance; otherwise we will work separately. The aides and experts of the Treasury Department are all working along that line now. I do not think there is any doubt that further taxes must be raised, as has been pointed out by different Senators, including the Senator from Virginia and the Senator from Maryland, and we are going to use a spyglass in order to try to find some additional sources of taxation—

Mr. BROWN. A microscope.

Mr. HARRISON. A microscope—with the least burden to the people. I hope the Senator will send to the committee his amendment to make the taxes retroactive. We had to turn it down after some study because we felt it would be better to tax incomes earned in the coming years rather than those earned in the years which have passed.

Mr. BYRD. Does the Senator think that within the next 30 days the consideration of a new tax measure will be begun?

Mr. HARRISON. Of course, that is up to the Ways and Means Committee, but I will say that if Congress is to remain here, if it is not to adjourn—and I do not think there is any possibility of adjournment now—I shall use every influence I have, if I have any, to get the matter started immediately.

Mr. LA FOLLETTE. Mr. President, I should like to observe that I think the Senator used a very good expression when he said he would be looking through a spyglass. I think he will need one if he sights a tax bill before next spring.

Mr. HARRISON. I hope we may at least reach a very fair conclusion on the matter, and that we will have as little trouble as we have had during the consideration of the pending bill. I trust that Senators will continue their fine spirit of cooperation, and that before 6 o'clock this evening we may pass the bill.

Mr. O'MAHONEY. Mr. President—

The PRESIDING OFFICER (Mr. THOMAS of Oklahoma in the chair). Does the Senator from Connecticut yield to the Senator from Wyoming?

Mr. DANAHER. I yield.

#### TAXATION AND CAPITAL INVESTMENT

Mr. O'MAHONEY. I merely want to say another word apropos of the discussion which has just now taken place.

I could not help being impressed by the expression of the chairman of the Finance Committee and others that a microscope may be needed to discern profits and a spyglass to discover an effective tax bill. I am very much afraid that in the preparation of our tax bills we have given too little consideration to the fact that profits are the basis of all taxes and that there can be no revenue unless there first are earnings.

I hope that the Finance Committee here and the Ways and Means Committee in the House will give consideration to methods of taxation which will stimulate employment, because if we do not succeed in stimulating employment, we shall continue to be obliged to make deficit appropriation for made work under P. W. A., we shall have to continue to make deficit appropriations to provide parity payments for farmers and we shall find no release from accumulating national debt.

Mr. President, it must be clear to everyone that all taxation proceeds from the earnings of the people, and the earnings of the people are to be obtained only in productive enterprise. It seems to me the primary responsibility on those of us who are giving thought to taxation will be to stimulate productive enterprise and to stimulate employment, so that there will be some profits upon which taxes can be levied.

Therefore, Mr. President, it will be my purpose to appear before the committee at the proper time, if I can, and urge some form of incentive taxation, by which I mean rates and rewards that will encourage capital investment so that private industry may afford new opportunities for employment.

Mr. CLARK of Missouri. What kind of taxes do stimulate business? I have been interested in tax bills all my public life, and that is the kind of taxation about which I have never heard. I should like to be informed of a tax like that.

Mr. O'MAHOONEY. The Senator was good enough, on the floor of the Senate only a few weeks ago, to indicate his approval of a suggestion which I made at that time in the form of a bill which was designed to reduce the burden of taxation on those whose expenditures had the effect of creating jobs. Of course, technically speaking, the Senator is quite right; taxes do not stimulate production or profits, but taxes do handicap production, and handicaps can be removed by a wise tax policy. Let me say to the Senator that what I mean is that we should so draft tax bills as to provide an incentive to those who have capital to invest, in order to induce them to do so. I believe that by extending rewards to those who employ workers we shall be able to use taxes for the purpose of stimulating profits and thereby increasing revenue.

Mr. CLARK of Missouri. Mr. President, if the Senator from Connecticut will yield further, if the Senator from Wyoming is referring to his bill taxing labor-saving machinery, I was inclined to be favorable to that, not on the ground that it would stimulate business but on the ground that it would supply means in an equitable way for handling the unemployment situation.

Mr. O'MAHOONEY. The bill was not a tax on machinery. Let me make that clear. It contained a tax on earnings, to be sure, but its most important feature was a credit for the employment of people.

Mr. McNARY. I ask for the regular order.

The PRESIDING OFFICER. The regular order is demanded. The Senator from Connecticut has the floor.

Mr. DANAHER. Mr. President, let me remark to Senators that last winter, when this situation was first called to my attention, I took the matter up with the genial chairman of the Committee on Finance, the Senator from Mississippi [Mr. HARRISON], who cooperated with me to the fullest, and in turn took up the situation with the Commissioner of Internal Revenue. Our correspondence and memoranda on this subject were mutually made available, to the end that a study and canvass of the situation could be achieved.

It is true that I was interested particularly, as the language of my amendment indicates, in employees engaged in the administration of the Social Security Act. The discussion this afternoon has tended to indicate that there are other fields and other phases which should be covered by the language of the proposed amendment. During the interim

while the colloquy between the Senator from Maryland and the Senator from Mississippi was proceeding, the Senator from Wisconsin [Mr. WILEY] advised me that he had submitted to various Senators language which he thinks adequate, and which they have agreed is designed to include all the elements and all employees who, in my opinion, should be included.

Mr. WILEY. Mr. President, will the Senator yield?

Mr. DANAHER. I yield.

Mr. WILEY. I wish to offer a substitute amendment at this time, which I send to the desk to be read. Commenting on it, I may state that at one time previously I offered this amendment, and the Senator from Mississippi [Mr. HARRISON] at that time stated that he would give sympathetic consideration to it. Now that the discussion has reached the point it has reached, when we all realize that much injustice would be done if the amendment were not agreed to, I ask that it be read and that the Senate give consideration to it.

The PRESIDING OFFICER. The clerk will state the amendment.

The LEGISLATIVE CLERK. It is proposed to insert at the proper place the following:

Section 205 of the Public Salary Tax Act of 1939 is amended to read as follows:

"Sec. 205. No amount of income tax (including interest, additions to tax, and additional amounts) shall be collected after April 12, 1939, for any taxable year beginning prior to January 1, 1939, to the extent attributable to compensation for personal services as an officer or employee of a State, or any political subdivision thereof, or any agency or instrumentality of any one or more of the foregoing. As used in this section the term 'compensation' means compensation paid directly or indirectly by the United States or any agency or instrumentality thereof."

Mr. WILEY. Mr. President, as has been stated, there are others outside the Social Security Administration who are interested. Every land-grant college is interested. There are also payments made by the Government to militia, or the National Guard, and there are a number of other payments which go to highway sections of the States. So it has been felt that the thing to do was to make it broad enough to cover all those cases, not simply the Social Security cases, as suggested by the Senator from Connecticut.

I submitted this amendment to the Senator from Georgia [Mr. GEORGE] a few moments ago, and the expert now sitting next to the Senator helped to draft it. As I understand, it meets the general situation 100 percent.

Mr. BROWN. Mr. President, the Senator from Mississippi [Mr. HARRISON] the chairman of the Finance Committee, has asked me to express my views in regard to this amendment. As I stated to the Senator from Kentucky a while ago the special committee, of which I was chairman, had charge of the Public Salary Tax Act. I think I may safely say that with the representatives of the Bureau of Internal Revenue, the Treasury Department, and the Attorney General's office and the Ways and Means Committee, we drafted the Public Salary Tax Act. At the time it was adopted it was understood that because of the cases to which the Senator from Connecticut [Mr. DANAHER] has referred—the O'Keefe and Gerhart cases particularly—there was a certain class of State employees who had legally always been subject to the Federal income tax. The Treasury as early as 1935 had issued a ruling that a certain class of State employees was subject to the income tax law. There is no question that the two cases brought about a situation in which legally a great many State employees—in fact all State employees—had for many years back been subject legally to the Federal income-tax law.

It was felt, therefore, by those of us who drafted the Public Salary Tax Act that all these State employees who had up to the time of these decisions assumed that they were not liable for a Federal income tax, should be relieved of that tax liability.

So we wrote into the statute a provision which exempted them from any retroactive taxation. It is somewhat of a misnomer to use the word "retroactive," because legally they had always been subject, under the Supreme Court decisions, to the income-tax law.

Mr. DANAHER. Mr. President, will the Senator yield?

Mr. BROWN. I yield.

Mr. DANAHER. Will the Senator state whether or not there was any levy under it?

Mr. BROWN. There was as to the particular class of employees to which the Senator's amendment refers. From 1935 on the Bureau of Internal Revenue had ruled that this very class of employees was subject to the Federal income-tax law.

Mr. DANAHER. Mr. President, was it not so that the ruling was limited solely to the amount of Federal funds that could be traced into the hands of any such employee?

Mr. BROWN. Yes; and that is all that we tax now. If the Senator will be patient, I will develop that thought.

Mr. DANAHER. I beg the Senator's pardon for making the interruption.

Mr. BROWN. So, Mr. President, that act exempted all State employees from any form of Federal taxation prior to January 1, 1939. But we also provided that the class of State employees who had heretofore paid a Federal income tax on that part of their income or salary which came from the Federal Government should continue to pay it. They did pay from 1935 on. I cannot say that there was no objection to it; but it was paid.

Now, as to the point the Senator from Connecticut raises. The only income tax that was levied prior to January 1, 1939, when the public-salary tax became effective, was as to that portion of the salary that was contributed by the Federal Government. The Senator from Connecticut has paid a tax on his Federal salary ever since he has been here. So has every other Senator, and so has every other Federal employee who received an income which was subject to taxation.

As I have said, the Bureau of Internal Revenue ruled in 1935 that all State employees who were receiving an income from the Federal Government should be required to pay an income tax on that portion of their income which was paid by the Federal Government. That is all we did under the Public Salary Tax Act.

The Senator from Connecticut now wants to go back and say to thousands of State employees who have paid that tax that they were in error in paying it. The Government told them in 1935 that they were liable for that tax. The great majority of them, I venture to say, have paid that tax. It would certainly be unfair to that large class of State employees now to say that they were in error in paying that tax, and exempt only those who have not paid it. Those who have paid cannot now get their money back because the statute of limitations has run against them, and the Senator's amendment does not relieve them.

So I leave the proposition here with the simple statement that all we ask these people to do is to pay their Federal income tax on their Federal salaries. We do not tax them a dollar upon their State salaries until the effective date of the Public Salary Tax Act, when they pay a tax similar to that paid by all other State employees.

Mr. President, we went into this matter carefully. We explained it fully to the Senate when the Public Salary Tax Act was considered, and I see no reason why we should change the rule.

I am authorized to say that I am expressing the views of the Bureau of Internal Revenue and of the Treasury Department in opposing this amendment. So I trust that we will make no change in the law.

Mr. DANAHER. Mr. President, in the case of Gregory against O'Keefe, decided last year, the Supreme Court held for the first time that all State employees were subject to income tax. The regulation to which the Senator refers not only was not conclusive; it was not acted upon.

These employees were never even levied against in any way. When they did not file returns they were not called upon to file returns. When the case of Gregory against O'Keefe was finally decided the levy was for the first time asserted, and on the face of that assertion we now have the demand issued by the Commissioner in November of last year

that all these people shall pay taxes for the 3 years last preceding.

When section 205 of the Public Salary Tax Act was passed in 1939 it purported to make exceptions as to certain individual employees of the States of the classes referred to here. They have had no opportunity whatever to litigate whether they were or were not liable for the tax for the past 3 years. They are definitely foreclosed by virtue of the case of Gregory against O'Keefe, and consequently it is a rank injustice and a hardship on these people who after all these years are now being called upon to pay taxes and penalty and interest dating back to the tax year 1936.

Mr. President, the persons affected do not earn too much money anyhow, and at this late date to impose what in effect is a retroactive tax is a rank injustice and a hardship on them.

I am willing to accept the substitute offered by the Senator from Wisconsin.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Wisconsin [Mr. WILEY] in the nature of a substitute for the amendment offered by the Senator from Connecticut [Mr. DANAHER].

Mr. WILEY. Mr. President, I wish to refer to a situation which will show Senators the equity of my amendment. Take for instance the payments which have been made to the land grant colleges by the Federal Government. The professors of those colleges paid the taxes mentioned by the Senator from Arkansas. They paid State income taxes on their income. After 1939 they are asked, because of the decision referred to—and that was not the idea of the statute we passed—they are asked to go back and do that which we did not do when we were mere citizens of the State and not employees of the Federal Government. They are asked to pay a tax for 3 years on that portion of their salaries coming from the Federal Government. It seems to me only equitable and fair that the legislation provided in the amendment be enacted.

Mr. LA FOLLETTE. Mr. President, I ask unanimous consent that I may have inserted in the RECORD at this point a letter which I received on the subject under discussion from the chairman of the Wisconsin Industrial Commission.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

INDUSTRIAL COMMISSION OF WISCONSIN,  
Madison, Wis., March 16, 1940.

HON. ROBERT M. LA FOLLETTE, JR.,  
United States Senator from Wisconsin,  
Senate Office Building, Washington, D. C.

DEAR SENATOR LA FOLLETTE: May I thank you on behalf of several hundred State employees for the interest which you have manifested in the matter which I brought to your attention in my wire of March 13.

We at the time had considerable doubt as to whether the matter proposed was germane to the Hatch bill, but, at least, an opportunity presented itself for bringing the matter to the attention of the Senators.

Senator WILEY likewise advised us that the corrective legislation we had in mind was not germane to the Hatch bill, but he considered it possible, and in his wire he stated that he considered it possible to attach corrective legislation as a rider to House Joint Resolution 407, which seeks to extend the reciprocal trade agreement program. We, of course, are entirely unacquainted, and would in any event fail to suggest to our Senators the most appropriate procedure for effecting a legislative correction to the problem at hand. We have full confidence that complete cooperation will be manifested in working the matter out along the best lines.

It is the purpose of this letter to set out more fully for you the subject matter of our wire. These views, observations, and considerations may be of assistance. You may deem it advisable, however, to have a much more detailed study made and presented to you to assist in carrying through corrective legislation. We would, of course, be only too glad to go into the matter from any angle you might suggest, and draw up such data and briefs as you may indicate.

It is our thought that the following comments are pertinent, and may be helpful at this time:

1. Number of employees affected: Conservatively, there are several hundred State employees in Wisconsin whose interests are, in all probability, affected by the present Federal legislation allowing assessments for past years on their income earned in State service. We cannot at this time afford you an approximately exact number. However, an enumeration of the departments affected will show the wide application of the principle at stake. The Employment Service

and the Unemployment Compensation Department of the Industrial Commission have approximately 600 employees. While, of course, not all of these fall in salary brackets that would cause them to be affected by the present income-tax legislation, nevertheless there is a good proportion of this number who are affected.

The chairman of the highway commission estimates that there are approximately 200 individuals in the State highway department who may well have to pay back taxes through a considerable number of years. Many individuals on the instructional staff at the university in the schools of engineering and of agriculture are affected. The entire number of county agents and their staffs are concerned. The department of agriculture and markets have some cases involved. The department of public welfare, embodying the relief and assistance agencies, have a very considerable number of individuals affected. The employees of the department of vocational education have a stake in the matter. Employees in the department of public instruction and in the conservation department are affected.

2. Considerations relating to the equities of the situation: In all save a very few cases, such as university instructors and county agents, the State employees whose salaries are derived in whole or in part from Federal grants to the State have come from the classified civil-service lists. There is absolutely no difference in job-qualification standards and general nature of work done between employees whose salaries are traceable to Federal grants and employees whose salaries are not so traceable. State employees, regardless of whether or not their income is derived from Federal grants, not only are selected with reference to identical job-qualification standards and do the same type of work, the civil-service classification considered, but there is likewise no difference in the salary brackets; and promotions, pay increases, etc., are subject to identical considerations.

In a number of instances the State employees affected in the instant situation were already in State employment and performing the functions of their departments before the advent of Federal funds into the picture. As an example, the State of Wisconsin had an employment service and an unemployment-compensation department before the Wagner-Peyser funds and funds under title III of the Social Security Act were made available, respectively, to these two departments. The affected employees in these two departments had been selected with reference to personnel classifications set up before the coming of Federal funds. Their qualifications and salary classifications in no manner related to Federal specifications. At the time Federal funds were afforded the State there was no change in pay or salary classification of these individuals. It is quite obvious that if the Federal Government now goes back and taxes these employees, the fact that the Federal Government came in and furnished money to the State to pay the salaries of these employees means that these employees suffered what amounts to a salary waiver which is now to be made effective by one assessment for all these past years.

The employees in these departments have in very many instances been selected from classifications in the civil-service list from which many other State departments draw their personnel and hence are receiving the same rates of pay and are performing the same functions as are other State employees. Certainly, to go back now and tax this restricted group of individuals on a retroactive basis makes for discrimination and inequality between employees in this State doing the same type of work pursuant to State civil-service standards. The present attempt of the Federal Government to retroactively tax the salaries of the State employees here in question can only result in the greatest financial hardships to the individuals affected. As before stated, a highway commissioner asserted that there are approximately 200 resident engineers and inspectors whose salaries are traceable to Federal sources. He further stated that he is certain that a very large proportion of this group have a service period of 5 or 6 years or even longer, and that in some instances the affected employees have been with the department for as long as 15 years. The highway commissioner further stated that he is confident that none of the employees knew of the present situation and had never had the matter brought to their attention.

The comptroller of the university states that several individuals on the instructional staff in the colleges of engineering and agriculture are affected. He likewise states that there are approximately 70 county agents who are directly concerned in the outcome of this matter. Some of the agents have been in the service for 20 or 25 years, and it seems clear that even section 1211 of the 1926 Revenue Act would not serve to abate their liability, since the cited section did not abate liability with reference to certain classes of State employees whose salaries were derived from Federal sources. The comptroller states that this matter was never brought to the attention of the university until about 1936. Since that time names of many of the individuals affected have been furnished the Federal Government, pursuant to its request; but the comptroller is rather certain that the individuals concerned have done nothing to make up their arrears liability, which, in some instances, as pointed out, runs back a score of years.

At this time for the Federal Government to assert its taxing power in the manner proposed seems unfair and inequitable indeed. The whole transaction can be charged with grave financial consequences on the individuals affected.

3. Legal considerations: We have asked our counsel to prepare a short memorandum advising us very briefly of the status of State employees with reference to the Federal taxing power, as

this status existed in the past, and, specifically, we asked to be informed as to whether State employees whose salaries have been derived from Federal grants have always been considered as subject to the Federal income-tax provisions.

It appears that your information, to the effect that State employees whose salaries have been derived from Federal grants, have always been considered subject to the Federal taxing power, is erroneous. As counsel's memorandum points out, prior to the Gearhardt and O'Keefe cases, 1938 and 1939, the basis for distinguishing between State employees who were liable to pay Federal income tax and those who were not liable, was the nature of the functions performed by the employees. If the services related to an essential function of government, the services and income derived therefrom were considered as exempt from the Federal taxing jurisdiction. If the services were associated with a non-essential governmental function, or government in its proprietary aspect, then the services and income derived therefrom were subject to the Federal taxing jurisdiction.

It is quite clear from the cases that it is this distinction between the "essential" and "nonessential" nature of services performed that controlled the matter of Federal jurisdiction prior to the above-cited cases. The source of the employees' salaries (that is, whether derived from Federal grant) had nothing to do with the matter. It is quite true that section 1211 of the 1926 Revenue Act abated the liability of certain employees, and failed to abate the liability of certain State employees whose salaries were derived from Federal grant. However, as the memorandum will show, this abating provision was concerned only with the liability of employees who were then thought to be within the taxing jurisdiction of the Federal Government; that is, employees performing nonessential governmental functions. The effect of section 1211 was to abate the liability of this group in all instances save those in which these employees performing nonessential governmental services had their salaries derived from Federal grants. The derivation of the salary from Federal sources had nothing to do in determining the liability of the group of employees affected by section 1211, and the application of the principle of derivation of salaries from Federal sources, as it is found in section 205 of the Public Salary Tax Act of 1939, has no relation whatsoever to the manner in which the principle is applied in the Revenue Act of 1926. This will be made clearer by the memorandum.

Allow us to again extend our sincere appreciation for the efforts which you are directing to correct a most inequitable situation. We offer our services, of course, for gathering any data and preparing any material which might be helpful, in your estimation.

Very truly yours,

INDUSTRIAL COMMISSION,  
VOYTA WRABETZ, *Chairman*.

The PRESIDING OFFICER. The question is on the amendment of the Senator from Wisconsin [Mr. WILEY] in the nature of a substitute for the amendment of the Senator from Connecticut [Mr. DANAHER].

Mr. DANAHER. I ask for the yeas and nays.

The PRESIDING OFFICER. The yeas and nays have been requested. Is the request seconded?

The yeas and nays were not ordered.

Mr. McNARY. The rule requires that one-fifth of those present shall second the request in order that it may be granted. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Donahay	Lee	Schwartz
Ashurst	Downey	Lodge	Schwellenbach
Austin	Ellender	Lucas	Sheppard
Barkley	George	Lundeen	Smathers
Bilbo	Gerry	McCarran	Smith
Bone	Gillette	McKellar	Taft
Bridges	Green	McNary	Thomas, Idaho
Brown	Guffey	Maloney	Thomas, Okla.
Bulow	Gurney	Mead	Thomas, Utah
Burke	Hale	Miller	Townsend
Byrd	Harrison	Minton	Truman
Byrnes	Hayden	Murray	Tydings
Capper	Herring	Norris	Vandenberg
Caraway	Hill	Nye	Van Nuys
Chandler	Holt	O'Mahoney	Wagner
Chavez	Hughes	Pittman	Walsh
Clark, Idaho	Johnson, Calif.	Radcliffe	Wheeler
Clark, Mo.	Johnson, Colo.	Reed	White
Connally	King	Reynolds	Wiley
Danaher	La Follette	Russell	

The PRESIDING OFFICER. Seventy-nine Senators have answered to their names. A quorum is present.

The question is on agreement to the amendment offered by the Senator from Wisconsin [Mr. WILEY], in the nature of a substitute for the amendment offered by the Senator from Connecticut [Mr. DANAHER].

Mr. DANAHER. I ask for the yeas and nays.

The yeas and nays were ordered, and the legislative clerk proceeded to call the roll.

Mr. CHANDLER (when his name was called). I have a general pair with the Senator from Pennsylvania [Mr. DAVIS], who is unavoidably detained because of illness in his family. I am informed that if he were present he would vote as I shall vote. I vote "yea."

Mr. TYDINGS (when his name was called). Having been in the Committee on Naval Affairs during the discussion of this amendment, I ask unanimous consent to be excused from voting, because I do not sufficiently understand it.

The PRESIDING OFFICER. Without objection, the Senator is excused from voting.

The roll call was concluded.

Mr. MINTON. I announce that the Senator from Alabama [Mr. BANKHEAD], the Senator from West Virginia [Mr. NEELY], and the Senator from Florida [Mr. PEPPER] are detained in Government departments. I am advised that if present and voting, these Senators would vote "nay."

The Senator from Illinois [Mr. SLATTERY] is unavoidably detained. I am advised that if present and voting, he would vote "nay."

The Senator from North Carolina [Mr. BAILEY], the Senator from Virginia [Mr. GLASS], the Senator from Florida [Mr. ANDREWS], the Senator from New Mexico [Mr. HATCH], and the Senator from Louisiana [Mr. OVERTON] are necessarily absent.

Mr. MCKELLAR. My colleague [Mr. STEWART] is necessarily absent. I am advised that if present and voting, he would vote "nay." He has a pair with the Senator from Oregon [Mr. HOLMAN].

Mr. AUSTIN. The Senator from Oregon [Mr. HOLMAN] is paired with the Senator from Tennessee [Mr. STEWART]. The Senator from Oregon would vote "yea" if present.

The Senator from Vermont [Mr. GIBSON] has a general pair with the Senator from Illinois [Mr. SLATTERY]. The Senator from Vermont would vote "yea" if present.

The Senator from Minnesota [Mr. SHIPSTEAD] has a general pair with the Senator from Virginia [Mr. GLASS].

The Senator from New Hampshire [Mr. TOBEY] is absent on official business.

The Senator from New Jersey [Mr. BARBOUR] is absent on official duties.

The Senator from North Dakota [Mr. FRAZIER] is necessarily absent.

The result was announced—yeas 34, nays 44, as follows:

YEAS—34

Austin	Gerry	McNary	Schwartz
Bridges	Gurney	Maloney	Taft
Burke	Hale	Miller	Thomas, Idaho
Capper	Hughes	Minton	Townsend
Caraway	Johnson, Calif.	Norris	Wagner
Chandler	La Follette	Nye	White
Clark, Idaho	Lodge	O'Mahoney	Wiley
Danaher	Lundeen	Radcliffe	
Downey	McCarran	Reed	

NAYS—44

Adams	Connally	Holt	Schwellenbach
Ashurst	Donahay	Johnson, Colo.	Sheppard
Barkley	Ellender	King	Smathers
Bilbo	George	Lee	Smith
Bone	Gillette	Lucas	Thomas, Okla.
Brown	Green	McKellar	Thomas, Utah
Bulow	Guffey	Mead	Truman
Byrd	Harrison	Murray	Vandenberg
Byrnes	Hayden	Pittman	Van Nuys
Chavez	Herring	Reynolds	Walsh
Clark, Mo.	Hill	Russell	Wheeler

NOT VOTING—18

Andrews	Frazier	Neely	Stewart
Bailey	Gibson	Overtton	Tobey
Bankhead	Glass	Pepper	Tydings
Barbour	Hatch	Shipstead	
Davis	Holman	Slattery	

So Mr. WILEY's amendment in the nature of a substitute for Mr. DANAHER's amendment was rejected.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. McGill, one of its clerks, announced that the House having pro-

ceeded to reconsider the bill (H. R. 9381) to provide for the alteration of certain bridges over navigable waters of the United States, for the apportionment of the cost of such alterations between the United States and the owners of such bridges, and for other purposes, returned by the President of the United States, with his objections, to the House of Representatives, in which it originated, it was—

*Resolved*, That the said bill pass, two-thirds of the House of Representatives agreeing to pass the same.

REVENUE BILL OF 1940

The Senate resumed the consideration of the bill (H. R. 10039) to provide for the expenses of national preparedness by raising revenue and issuing bonds, to provide a method for paying for such bonds, and for other purposes.

Mr. LA FOLLETTE. I offer the amendment which I send to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. At the end of the bill it is proposed to insert the following new title:

TITLE IV

SECTION 401. Chapter 2 of the Internal Revenue Code is amended by adding at the end thereof the following new subchapter:

"SUBCHAPTER E—EXCESS-PROFITS TAX BASED ON INVESTED CAPITAL

"SEC. 750. Imposition of tax.

"In addition to all other taxes there shall be levied, collected, and paid for each taxable year beginning after December 31, 1939, upon the income of every corporation a tax equal to the following percentages of the net income:

"First Bracket

"Twenty percent of the amount of the net income for the taxable year in excess of the excess-profits credit (determined under section 751) and not in excess of 20 percent of the invested capital.

"Second Bracket

"Forty percent of the amount of the net income for the taxable year in excess of 20 percent of the invested capital.

"In any case where the full amount of the excess-profits credit is not allowed under the first bracket, by reason of the fact that such credit is in excess of 20 percent of the invested capital, the part not so allowed shall be deducted from the amount in the second bracket.

"SEC. 751. Excess-profits credit.

"(a) The excess-profits credit shall consist in the case of a domestic corporation of a specific exemption of \$3,000 plus an amount equal to 8 percent of the invested capital for the taxable year. A foreign corporation or a corporation entitled to the benefit of section 251 or a corporation organized under the China Trade Act, 1922, shall be entitled to an excess-profits credit of 8 percent of the invested capital.

"(b) In the case of a return made for a fractional part of a year, the specific exemption of \$3,000 shall be reduced to an amount which bears the same ratio to such specific exemption as the number of months in the period for which return is made bears to 12 months.

"(c) In any case where a tax is assessed upon the basis of a consolidated return only one specific exemption of \$3,000 shall be allowed.

"SEC. 752. Exempt corporations.

"(a) Corporations enumerated in section 101 shall to the extent they are exempt from the income tax under chapter I be exempt from taxation under this subchapter;

"(b) Personal service corporations as defined in section 200 (5) of the Revenue Act of 1921;

"(c) Personal holding companies as defined in subchapter A of chapter II; and

"(d) Foreign personal holding companies as defined in supplement P of chapter I.

"SEC. 753. Net income.

"For the purpose of the tax imposed by section 750, the net income shall be the same as the net income for income-tax purposes in chapter I, with the following adjustments:

"(a) Additional deductions: (1) Dividends.—There shall be allowed as a deduction the amount received as dividends from a domestic corporation which is subject to taxation under chapter I. The deduction allowed by this subsection shall not be allowed in respect of dividends received from a corporation organized under the China Trade Act of 1922, or from a corporation which under section 251 is taxable only on its gross income from sources within the United States by reason of its receiving a large percentage of its gross income from sources within a possession of the United States.

"(2) Loss in inventory: (A) At the time of filing return for the first taxable year under this subchapter a taxpayer may, notwithstanding any other provision of law, file a claim in abatement based on the fact that he has sustained a substantial loss (whether or not

actually realized by sale or other disposition) resulting from any material reduction (not due to temporary fluctuation) of the value of the inventory for such taxable year, or from the actual payment after the close of such taxable year of rebates in pursuance of contracts entered into during such year upon sales made during such year. In such case payment of the amount of the tax covered by such claim shall not be required until the claim is decided, but the taxpayer shall accompany his claim with a bond in double the amount of the tax covered by the claim, with sureties satisfactory to the Commissioner, conditioned for the payment of any part of such tax found to be due, with interest. If any part of such claim is disallowed, then the remainder of the tax due shall on notice and demand by the collector be paid by the taxpayer with interest at the rate of 6 percent per annum from the time the tax would have been due had no such claim been filed. If it is shown to the satisfaction of the Commissioner that such substantial loss has been sustained, then in computing the tax imposed by this subchapter the amount of such loss shall be deducted from the net income.

"(B) If no such claim is filed, but it is shown to the satisfaction of the Commissioner that during the period of 1 year after the date upon which the first return under this subchapter is due the taxpayer has sustained a substantial loss of the character above described then the amount of such loss shall be deducted from the net income for the first taxable year under this subchapter and the tax imposed by this subchapter for such year shall be redetermined accordingly. Any amount found to be due to the taxpayer upon the basis of such redetermination shall be credited or refunded to the taxpayer in accordance with the provisions of section 322.

"(3) Amortization: (A) In the case of buildings, machinery, equipment, or other depreciable facilities, contracted for and constructed, erected, installed, or acquired on or after January 1, 1940, for the production of articles essential to the prosecution of a war, and in the case of vessels contracted for and constructed or acquired on or after such date for the transportation of articles or men essential to the prosecution of a war, there shall be allowed, for any taxable year ending after December 31, 1939, a reasonable deduction for the amortization of such part of the cost of such facilities or vessels as has been borne by the taxpayer (not in excess of the adjusted basis under section 113), but not again including any amount otherwise allowed under chapter I, or previous acts of Congress as a deduction in computing net income. The allowance under this subsection shall be inclusive of all depreciation during the amortization period on property subject to amortization: *Provided*, That amortization shall not be allowed under this paragraph unless the construction, erection, installation, or requirement of the facility or vessel shall have been authorized by the President, through such agency as he shall designate, and determined by such agency to be for the production of articles essential to the prosecution of a war, or, in the case of vessels, for the transportation of articles or men essential to the prosecution of a war: *Provided further*, That in the case of vessels, buildings, machinery, equipment, or other facilities contracted for, or constructed, erected, or installed prior to January 1, 1940, but acquired by the taxpayer subsequent to such date, whether by purchase, exchange, gift, transfer, or in any other manner, no amortization shall be allowed under this paragraph: *Provided further*, That after the President shall proclaim that the need for such emergency production and transportation no longer exists this paragraph shall cease to be effective and the Commissioner may reexamine the returns made under this subchapter, and if he then finds that the deduction originally allowed was incorrect, the tax for the year or years affected shall be redetermined. The amount of the deduction under this subsection shall be allowed only with respect to such facilities or vessels which have become obsolete, or ceased to be required, or have been sold, prior to 1 year after the date of such proclamation. The amount of any deficiency in tax determined to be due may be assessed and collected at any time, subject to the provisions of chapter I, without regard to the provisions of section 275. The amount of tax overpaid, if any, shall be credited or refunded to the taxpayer in accordance with the provisions of section 322.

"(B) Tentative allowance: For the purpose of returns under this subchapter, the tentative estimate of the amount of such amortization for any year shall not exceed 12½ percent of the cost of such part of the facilities or vessels as has been borne by the taxpayer: *Provided*, That when the aggregate tentative allowances equal 50 percent of the cost of the facilities or vessels no further tentative allowances shall be made.

"(b) Consolidated net income: Subject to the foregoing provisions of this section and to the elimination of intercompany transactions (whether or not resulting in any profit or loss to the separate corporations), the consolidated net income shall be the combined net income of the several corporations consolidated.

"(c) Taxes: There shall be allowed as a deduction Federal income taxes paid or accrued during the taxable year.

"Sec. 754. Consolidated returns.

"(a) Requirement to file consolidated returns: Corporations which are affiliated within the meaning of this section shall, under regulations to be prescribed by the Commissioner with the approval of the Secretary, make a consolidated return of net income and invested capital for the purposes of this subchapter, and the taxes hereunder shall be computed and determined upon the basis of this return.

"(b) Regulations: The Commissioner, with the approval of the Secretary, shall prescribe such regulations as he may deem necessary in order that the tax liability of any affiliated group of corporations making a consolidated return and of each corporation in the group, both during and after the period of affiliation, may be determined, computed, assessed, collected, and adjusted in such manner as clearly to reflect the income and to prevent avoidance of tax liability.

"(c) Computation and payment of tax: In any case in which a consolidated return is made the tax shall be determined, computed, assessed, collected, and adjusted in accordance with the regulations under subsection (b) (or, in case such regulations are not prescribed prior to the making of the return, then the regulations prescribed under section 141 (b) of the Revenue Act of 1932 insofar as not inconsistent with this act) prescribed prior to the date on which such return is made.

"(d) Definition of 'affiliated group': As used in this section an 'affiliated group' means one or more chains of corporations connected through stock ownership with a common parent corporation if—

"(1) at least 95 percent of the stock of each of the corporations (except the common parent corporation) is owned directly by one or more of the other corporations; and

"(2) the common parent corporation owns directly at least 95 percent of the stock of at least one of the other corporations.

As used in this subsection the term 'stock' does not include nonvoting stock which is limited and preferred as to dividends.

"(e) Exception: A consolidated return shall be made only for the domestic corporations within the affiliated group. An insurance company subject to the tax imposed by section 201 or 204, or a personal holding company subject to the tax imposed by subchapter A of chapter II, shall not be included in the same consolidated return with a corporation subject to the tax imposed by section 13 or 14, and an insurance company subject to the tax imposed by section 201 shall not be included in the same consolidated return with an insurance company subject to the tax imposed by section 204.

"(f) China Trade Act corporations: A corporation organized under the China Trade Act, 1922, shall not be deemed to be affiliated with any other corporation within the meaning of this section.

"(g) Corporations deriving income from possessions of United States: For the purposes of this section a corporation entitled to the benefits of section 251, by reason of receiving a large percentage of its income from possessions of the United States, shall be treated as a foreign corporation.

"(h) Subsidiary formed to comply with foreign law: In the case of a domestic corporation owning or controlling, directly or indirectly, 100 percent of the capital stock (exclusive of directors' qualifying shares) of a corporation organized under the laws of a contiguous foreign country and maintained solely for the purpose of complying with the laws of such country as to title and operation of property, such foreign corporation may, at the option of the domestic corporation, be treated for the purpose of this title as a domestic corporation.

"(i) Suspension of running of statute of limitations: If a notice under section 272 (a) in respect of a deficiency for any taxable year is mailed to a corporation, the suspension of the running of the statute of limitations, provided in section 277, shall apply in the case of corporations with which such corporation made a consolidated return for such taxable year.

"Sec. 755. Invested capital.

"(a) As used in this subchapter—

"The term 'intangible property' means patents, copyrights, secret processes and formulae, goodwill, trade-marks, trade-brands, franchises, and other like property;

"The term 'tangible property' means stocks, bonds, notes, and other evidences of indebtedness, bills and accounts receivable, leaseholds, and other property other than intangible property;

"The term 'borrowed capital' means money or other property borrowed, whether represented by bonds, notes, open accounts, or otherwise;

"The term 'inadmissible assets' means stocks, bonds, and other obligations (other than obligations of the United States), the dividends or interest from which is not included in computing net income under chapter I, but where the income derived from such assets consists in part of gain or profit derived from the sale or other disposition thereof, or where all or part of the interest derived from such assets is in effect included in the net income because of the limitation on the deduction of interest under section 23 (b), a corresponding part of the capital invested in such assets shall not be deemed to be inadmissible assets;

"The term 'admissible assets' means all assets other than inadmissible assets, valued in accordance with the provisions of subdivision (a) of section 756 and section 757.

"(b) For the purposes of this subchapter the par value of stock or shares shall, in the case of stock or shares issued at a nominal value or having no par value, be deemed to be the fair market value as of the date or dates of issue of such stock or shares.

"Sec. 756. Invested capital construed.

"(a) As used in this subchapter the term 'invested capital' for any year means (except as provided in subdivisions (b) and (c) of this section)—

"(1) actual cash bona fide paid in for stock or shares;  
 "(2) actual cash value of tangible property, other than cash, bona fide paid in for stock or shares, at the time of such payment, but in no case to exceed the par value of the original stock or shares specifically issued therefor, unless the actual cash value of such tangible property at the time paid in is shown to the satisfaction of the Commissioner to have been clearly and substantially in excess of such par value, in which case such excess shall be treated as paid-in surplus: *Provided*, That the Commissioner shall keep a record of all cases in which tangible property is included in invested capital at a value in excess of the stock or shares issued therefor, containing the name and address of each taxpayer, the business in which engaged, the amount of invested capital and net income shown by the return, the value of the tangible property at the time paid in, the par value of the stock or shares specifically issued therefor, and the amount included under this paragraph as paid-in surplus. The Commissioner shall furnish a copy of such record and other detailed information with respect to such cases when required by resolution of either House of Congress, without regard to the restrictions contained in section 55;

"(3) paid-in or earned surplus and undivided profits; not including surplus and undivided profits earned during the year;

"(4) intangible property bona fide paid in for stock or shares prior to January 1, 1940, in an amount not exceeding (a) the actual cash value of such property at the time paid in, (b) the par value of the stock or shares issued therefor, or (c) in the aggregate 25 percent of the par value of the total stock or shares of the corporation outstanding on January 1, 1940, whichever is lowest;

"(5) intangible property bona fide paid in for stock or shares on or after January 1, 1940, in an amount not exceeding (a) the actual cash value of such property at the time paid in, (b) the par value of the stock or shares issued therefor, or (c) in the aggregate 25 percent of the par value of the total stock or shares of the corporation outstanding at the beginning of the taxable year, whichever is lowest: *Provided*, That in no case shall the total amount included under paragraphs (4) and (5) exceed in the aggregate 25 percent of the par value of the total stock or shares of the corporation outstanding at the beginning of the taxable year; but

"(b) As used in this subchapter the term 'invested capital' does not include borrowed capital.

"(c) There shall be deducted from invested capital as above defined a percentage thereof equal to the percentage which the amount of inadmissible assets is of the amount of admissible and inadmissible assets held during the taxable year.

"(d) The invested capital for any period shall be the average invested capital for such period, but in the case of a corporation making a return for a fractional part of a year, it shall be the same fractional part of such average invested capital.

"Sec. 757. Reorganizations.

"In the case of the reorganization, consolidation, or change of ownership of a trade or business, or change of ownership of property, after December 31, 1939, if an interest or control in such trade or business or property of 50 percent or more remains in the same persons, or any of them, then no asset transferred or received from the previous owner shall, for the purpose of determining invested capital, be allowed a greater value than would have been allowed under this subchapter in computing the invested capital of such previous owner if such asset had not been so transferred or received: *Provided*, That if such previous owner was not a corporation, then the value of any asset so transferred or received shall be taken at its cost of acquisition (at the date when acquired by such previous owner) with proper allowance for depreciation, impairment, betterment, or development, but no addition to the original cost shall be made for any charge or expenditure deducted as expense or otherwise on or after March 1, 1913, in computing the net income of such previous owner for purposes of taxation.

"Sec. 758. Returns and payment of tax.

"Every corporation, not exempt under section 752, shall make a return for the purposes of this subchapter. Such returns shall be made, and the taxes imposed by this subchapter shall be paid, at the same times and places, in the same manner, and subject to the same conditions, as is provided in the case of returns and payment of income tax by corporations for the purposes of chapter I, and all the provisions of that chapter not inapplicable, including penalties, are hereby made applicable to the taxes imposed by this subchapter."

Mr. LA FOLLETTE. Mr. President, in the light of the emergency about which the Senate has heard so much from different Senators during the past few months, it is my firm conviction that this tax bill will go down in history not only as a sham and a delusion but also as one of the most inequitable tax measures ever passed by Congress.

It is not necessary for me to repeat what has been said so well regarding the inadequacy of this measure in the light of

expenditures already made and contemplated. In my opinion it will not stay on the statute books more than 7 or 8 months. The proposal to set up a 5-year amortization fund, as designed in this bill, to meet national defense expenditures, commits the Congress, if it were to follow that policy, to a course which cannot be carried on in the future.

So, Mr. President, in my judgment there is no possible excuse for the pressure which has been put upon the Finance Committee and the Senate in the consideration of this measure. This bill will not bring into the Treasury of the United States between now and the next regular session of Congress in January in excess of \$225,000,000, and yet every Senator who proposes any amendments to seek increased revenue is told that we had better wait until we can have a revision of the tax laws at the next session of Congress.

If any more illogical proposition was ever presented to a supposedly intelligent Congress I have yet to read about it. We are to pass this bill under whip and spur. Neither the committee nor the Senate will give consideration to amendments proposed to it, and what is the net result? Two hundred and twenty-five million dollars paid into the Treasury of the United States between now and the time when the proponents of the measure insist that any amendments which are not now considered will have an opportunity to be considered.

In short, Mr. President, in one breath we are told that we must pass this bill, that it must be passed at once, that important amendments cannot receive adequate and careful consideration by the committee or by the Senate; and in the next breath the committee and the report contend that there will be a general revision of the tax laws at the next session of Congress.

Either one thing or the other is wrong, Mr. President. Either we are not going to have a general revision of the tax laws at the next session or else this 5-year plan will be torn apart, and we shall have to review the entire action that we are taking at this session.

Mr. CONNALLY. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Wisconsin yield to the Senator from Texas?

Mr. LA FOLLETTE. I am glad to yield.

Mr. CONNALLY. I am interested in what the Senator says about the necessity of revamping and overhauling the whole tax structure of this country. Everybody seems to be agreed that we must do that. Is not that true?

Mr. LA FOLLETTE. Mr. President—

Mr. CONNALLY. Answer that, if you please.

Mr. LA FOLLETTE. I am going to answer it.

Mr. CONNALLY. I was trying to help the Senator, and trying to agree with him. If he wants to rebuff me, of course, that is all right.

Mr. LA FOLLETTE. I do not want to rebuff the Senator, but I want to answer his question in my own way.

Mr. CONNALLY. If the Senator does not want me to ask the question in my own way, I withdraw it.

Mr. LA FOLLETTE. I thought the Senator had concluded the question.

Mr. CONNALLY. I had not concluded at all.

Mr. LA FOLLETTE. In any case, I will answer the portion of it which the Senator asked me.

Mr. CONNALLY. The Senator will do so on his own volition, then, and not at the request of the Senator from Texas.

Mr. LA FOLLETTE. Very well; I will do it on my own volition, and not at the request of the Senator from Texas.

Mr. President, it has been stated ever since I have been a Member of this body that we are to have a general revision of the tax laws; and in the consideration of nearly every piece of legislation bearing upon the question of taxes we have been urged not to propose amendments because we were to have a revision of the tax laws at the next session of Congress. So, Mr. President, I have little faith in the promises which are held forth in connection with this legislation that

we are to have an early revision of the tax laws at the next session of the Congress.

In making that statement I do not question the good faith of the Ways and Means Committee of the House, nor of the genial chairman of the Senate Finance Committee; but I have heard these promises coming from these gentlemen, I feel assured in all sincerity, ever since I have been a Member of this body, for now nearly 15 years, and the general revision of the tax laws never takes place. Frankly, I am apprehensive that if we pass this piece of legislation and put it upon the statute books, if there is any revision of the tax laws at the next session of Congress, it will come so late in the session that we shall once more be confronted with the same technique of "blitzkrieg" that is being applied to this bill and to amendments tendered to it.

The only excuse for passing this bill at all at this session is to afford the increases which it provides upon the excise taxes to go into effect on the first day of July, because, I repeat, it is only money from the excise taxes which will flow into the Treasury between now and the next regular session of Congress.

Mr. BYRD. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. I yield.

Mr. BYRD. The Senator is exactly correct about that. I received a statement from the Treasury Department that in July only \$15,000,000 will be collected under the pending bill, in August \$57,000,000, in September \$34,000,000, in October \$38,000,000, in November \$36,000,000, and in December \$36,000,000. So that in this calendar year only \$216,000,000 will be collected under this tax bill.

Mr. LA FOLLETTE. The Senator is correct, and that is the only reason for passing the tax bill at all.

Mr. GEORGE. Mr. President, I hope the Senator will pardon me, but that is not even the chief reason. I share the Senator's view, but that is not the chief reason for passing this bill. The chief reason is the raising of the debt limit. If we have any real regard for the possibilities of a situation which carries explosive power with it, we cannot delay the passage of the bill, in my judgment.

Mr. LA FOLLETTE. The Senator has anticipated me. I was referring to the reasons which could be predicated upon tax grounds, and I was just coming to the question of the increase in the debt limit.

Mr. President, the Senator from Georgia as I stated, has anticipated what I was about to say. There is a second reason not involved in the tax situation, namely, the necessity of increasing the debt limit, which can be advanced as a justification for the passage of the pending measure.

The tragedy about the whole thing is that the country is under the impression that Congress is passing a tax bill designed to meet the added responsibilities and burdens upon the Government and upon the people in relation to national defense and it does no such thing.

I have long been an advocate of, in fact, I think I initiated in the Senate the proposal to broaden the base of the individual income tax. I fought for it in season and out in this Chamber whenever I had an opportunity presented by action by the House of Representatives to which such amendment could be added in the Senate. So, I think no one will question that I have been a sincere advocate of that policy.

But I say that for Congress to broaden the tax base on individuals in the lower income-tax brackets, for the Congress to increase the inequities in our tax structure by tremendously increasing the burden which is levied without regard to ability to pay, through the excise taxes, and to fail to adopt an excess-profits tax to reach those who will profit out of the huge defense expenditures which Congress has voted will, in my opinion, go down in history as one of the most inequitable propositions Congress has ever passed.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. I yield.

Mr. WHEELER. Does not the Senator know that some of those who will profit by making war munitions are saying that if heavy taxes are imposed on them, that if the taxes on their profits are raised, the Government will not be able to get cooperation, or that they will not be able to get cooperation? So they do not want to have any taxes imposed on them or taxes on their profits raised, which would amount to the same thing as war profits, because they will not cooperate if that is done.

Mr. LA FOLLETTE. Mr. President, that was not our experience during 1917, 1918, 1919, 1920, and 1921, when we had an excess-profits tax. It was one of the greatest revenue producers ever employed by this Government.

Mr. President, I repeat, I cannot see how Congress can justify in this emergency reaching the long arm of the Federal Treasury into the pockets of the people in the lower-income groups of this country by broadening the tax base. I do not see how Congress can justify reaching the long arm of the Treasury into the pockets of people who pay the excise taxes and at the same time refuse to increase the taxes upon those corporations which, directly and indirectly, will profit by the very expenditures which are made possible in part by the taxes which these low-income-group families are required to pay.

Mr. President, how is that to be justified? How will it be possible to convince the people of this country that sacrifices for national preparedness are to be equitably adjusted? Is there to be an attempt to satisfy them by quoting from the report of the Ways and Means Committee of the House, or by rising and reading a statement of the Senator from Mississippi in the Senate that they hope or expect to pass an excess-profits tax at the next session?

Why were not the income-tax payers told, why were not the people in the lower income-tax groups told, why were not the children who go up to the ticket window with the pennies in their hands to see a movie told that the whole structure was to be revised at the next session of Congress, and that therefore we were not imposing the taxes now? Why impose a burden on one group of taxpayers with the enactment of a tax law and let the other group of taxpayers, the corporations which will make large profits out of the defense expenditures, get off with an expression in a report of the Ways and Means Committee and a statement by the chairman of the Finance Committee that they will be taxed when and if we ever get around to it? Some Senators may want to go out before their constituencies and defend such an inequity. I for one wish to be absolved of any such responsibility.

In the light of this emergency, each and every person in the United States, each and every corporation, should be asked to carry his fair share of the cost of national defense and the running expenses of the Government based on ability to pay.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. I yield.

Mr. VANDENBERG. I emphatically agree with the viewpoint which the Senator is expressing, but I have this further difficulty in my own mind. Even with the Senator's amendment, the tax bill is still utterly inadequate for the purpose to which it pretends to be addressed. It still is a sham and a snare and a delusion, so far as either paying for national defense is concerned, or so far as settling the accumulated deficits of the 7 last spendthrift years is concerned.

Mr. LA FOLLETTE. I agree with the Senator that the bill does not raise enough revenue even with this amendment in it to meet the deficit, and to meet the cost of national defense, but if we are to make any effort at all

at this time, we should make a fair and an equitable effort, we should have some justice in our hearts and in our minds when we impose these taxes.

As the chief advocate in this body for the last several years for broadening the tax base, I state that I consider that it is a gross inequity to the low-income taxpayers to ask them to increase their taxes and contributions to the Federal Government, and, at the same time fail to ask the corporations which are going to be enriched by the necessity of the Government for national rearmament in this crisis to carry their fair share of the load, according to their ability to pay.

Mr. MCKELLAR. Mr. President, what estimate does the Senator make as to how much in revenue his amendment would bring in?

Mr. LA FOLLETTE. I have not any Treasury estimates on the subject. I attempted to get estimates, but the Treasury Department replied that it would take them a long, long time to get any estimates on it. I am convinced, after conferring with some experts on this subject, that the amendment, if enacted into law, would produce in the first year of its operation, 1940, between \$400,000,000 and \$550,000,000 of revenue.

I know what the answer of the gentlemen who represent and speak for the majority of the committee will be to arguments which I have made. They will say that they are as ardent advocates of excess-profits taxation as am I, but they will say that this is a very complicated subject, that it is one which will take a great deal of time and study to settle. If that advice had been taken or if a similar policy had been adopted in 1917 the Government of the United States would have failed to collect two and one-half billion dollars of corporate income from 1918.

If they had followed the idea that it was too complicated a matter and failed to retain it on the statute books, the Government would have failed to get \$1,400,000,000 of excess profits on the 1919 income.

We had an excess-profits tax in 1917. We had one in 1918. In 1921 the law was changed in some respects. So we have had experience in this country with an excess-profits tax between the years of 1917, when it was first enacted, and in 1922, when it was repealed.

So it cannot be said that this proposal is novel, or that we have had no experience under the law.

In drawing this amendment I have endeavored to build upon that experience. I do not claim that it is perfect, but I claim that it obviates many of the difficulties experienced under the 1917 and 1918 and subsequent years of the excess-profits tax, and I say that in justice to the taxpayers of the United States who are going to be shouldered with this momentous burden of national defense, built on top of the running expenses of the Government—we should enact this amendment, and if any difficulties or hardships are experienced under it, then let it have the same treatment as will the other provisions of this bill when the general revision promised by the Ways and Means Committee and by the chairman of the Finance Committee takes place next year.

Mr. President, I have made some little effort to study the problems of taxation before I went on the Finance Committee and since I have been a member of that powerful committee of the Senate. Taxes are complicated matters, but a moot debate upon tax theories can go on from now until the end of time. Literature on the subject is voluminous, and the experts can debate from now until the end of time and they will not come to any conclusion.

The only way in which we are going to get an excess-profits tax and have it operative upon 1940 incomes of corporations is to pass it now.

Let me briefly describe the amendment. It imposes an excess-profits tax on corporations based on invested capital

for 1940 and subsequent years. Before the tax applies to the corporation it must have a net income in excess of \$3,000 plus 8 percent of its invested capital for the taxable year. In other words, an 8-percent return is permitted before this tax applies, plus \$3,000.

Mr. President, in all probability this amendment could be attacked on the ground that 8 percent, in the light of return now obtainable upon invested capital, is overly generous, but in order that there should be no claim that the amendment proposed here on the floor of the Senate was unduly harsh, I have taken the rates of the 1921 act.

The rates of tax are the same as those imposed for the year 1920. These rates are: 20 percent of the net income in excess of the credit and not in excess of 20 percent of the invested capital, and 40 percent of the amount of the net income in excess of 20 percent of the invested capital. Corporations are, in addition, subject to the present corporate tax on their net income, which, under the pending bill, amounts to approximately 21 percent during the next 5-year period. This rate is considerably higher than the corporate rate which was in effect in 1920, the rate at that time being only 10 percent. It is therefore my opinion that the 20 and 40 percent excess-profits tax rates are sufficiently high to take care of the immediate situation without imposing higher rates.

In conformity with the old law, personal-service corporations would not be subject to this tax for the reason that capital is not a material income-producing factor in corporations of that type. This is also true with respect to personal-holding companies which are now subject to surtaxes on their undistributed profits as high as 75 percent, in addition to the existing corporate taxes. It is also true with respect to foreign personal-holding companies, which are taxed like partnerships as far as American shareholders are concerned, in that the American shareholder is required to take up his distributive share of the net income of the corporation, whether distributed or not, and such income is therefore subject to our present surtaxes.

Since the stock owned by one corporation in another corporation is excluded from the invested capital of the first corporation, dividends received from such subsidiary corporation by the parent are not included in income for the purpose of computing the excess-profits tax.

A taxpayer who has sustained a substantial loss in inventory during 1940 is given relief through the filing of a claim in abatement of the tax computed for such year. A similar provision was contained in the excess-profits tax in effect for 1920.

Allowances are made for amortization of such part of the cost of the facilities as has been borne by the taxpayer. However, in order to secure an amortization allowance, the facilities must have become obsolete or cease to exist or have been sold prior to 1 year after the date that the President proclaims the need for emergency production of articles essential to the prosecution of a war.

Consolidated returns are restored for the purpose of this tax in order to prevent evasion of the tax.

The definition of invested capital is the same as that contained in the Revenue Acts of 1918 and 1921. It is my firm conviction that this will simplify the procedure somewhat, since the invested capital of many corporations has already been determined under those acts, and with that as a base adjustments will only have to be made for the years during which the old excess-profits tax was not in effect.

The corporations are allowed net losses under the existing law for the purpose of the corporate income tax. This provision is made applicable with respect to the excess-profits tax by section 753 of my amendment.

I now wish to revert to a table which will show the effect of the excess-profits tax on the specimen net incomes of corporations with various amounts of invested capital.

Mr. President, let us take a corporation with \$3,000 of invested capital. If it has \$5,000 of net income it will pay a tax of \$360. If it has income of \$25,000 it would pay a tax of \$4,860.

Let us take a corporation with \$150,000 of invested capital, and let us assume that it had an income of \$25,000. It would pay a tax of \$1,800.

Let us take a corporation with \$10,000,000 of invested capital and a net income of \$1,000,000. It would pay a tax of \$35,460 under this amendment.

Mr. President, I ask unanimous consent to have this table inserted in the RECORD at this point in my remarks.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Effect of excess-profits tax rates on specimen net incomes of corporations with various amounts of invested capital

Invested capital	NET INCOME											
	\$5,000	\$10,000	\$15,000	\$25,000	\$50,000	\$100,000	\$200,000	\$300,000	\$500,000	\$750,000	\$1,000,000	\$2,000,000
\$3,000	\$360	\$1,260	\$2,160	\$4,860	\$13,860	\$31,860	\$67,860	\$103,860	\$175,860	\$265,860	\$345,860	\$715,860
\$5,000	360	1,260	2,160	4,860	13,860	31,860	67,860	103,860	175,860	265,860	345,860	715,860
\$7,500	360	1,260	2,160	4,860	13,860	31,860	67,860	103,860	175,860	265,860	345,860	715,860
\$10,000	360	1,260	2,160	4,860	13,860	31,860	67,860	103,860	175,860	265,860	345,860	715,860
\$15,000	288	1,260	2,160	4,860	13,860	31,860	67,860	103,860	175,860	265,860	345,860	715,860
\$25,000	0	1,260	2,160	4,860	13,860	31,860	67,860	103,860	175,860	265,860	345,860	715,860
\$50,000	0	540	2,160	4,860	13,860	31,860	67,860	103,860	175,860	265,860	345,860	715,860
\$70,000	0	252	1,332	4,860	13,860	31,860	67,860	103,860	175,860	265,860	345,860	715,860
\$100,000	0	0	720	3,420	12,420	30,420	66,420	102,420	174,420	264,420	354,420	714,420
\$150,000	0	0	0	1,800	9,900	27,900	63,900	99,900	171,900	261,900	351,900	711,900
\$200,000	0	0	0	1,080	7,380	25,380	61,380	97,380	169,380	259,380	349,380	709,380
\$300,000	0	0	0	0	4,140	20,340	56,340	92,340	164,340	254,340	344,340	704,340
\$500,000	0	0	0	0	1,260	10,260	46,260	82,260	154,260	244,260	334,260	694,260
\$750,000	0	0	0	0	0	6,660	33,660	69,660	141,660	231,660	321,660	681,660
\$1,000,000	0	0	0	0	0	3,060	20,060	57,060	129,060	219,060	309,060	669,060
\$2,000,000	0	0	0	0	0	0	0	24,660	78,660	168,660	258,660	618,660
\$3,000,000	0	0	0	0	0	0	0	10,260	46,260	118,260	208,260	568,260
\$5,000,000	0	0	0	0	0	0	0	0	0	62,460	107,460	467,460
\$7,500,000	0	0	0	0	0	0	0	0	0	26,460	71,460	341,460
\$10,000,000	0	0	0	0	0	0	0	0	0	0	35,460	215,260

Mr. LA FOLLETTE. Mr. President, what are the justifications for this tax insofar as what has been happening to corporate profits are concerned? Corporate profits were high during the fourth quarter of 1939. I have before me a comparison of the profits of the last quarters of 1937, 1938, and 1939, as taken from the earnings statistics of Standard Statistics, Inc. The combined index shows that in the last quarter of 1937 the index stood at 77.8; in 1938, at 72.5. In the last quarter of 1939, it was 114.5.

In 1937 the industrials had an index for the last quarter of 81.4; in 1938, 70.8; in 1939, 118.8. In the last quarter of 1937 the index for railroads stood at 2.7; in 1938, at 34.1; in 1939, at 74.2. The index for utilities in the last quarter of 1937 was 135.9; in 1938, 114.5; and in 1939, the index for the last quarter stood at 135.9.

Another way in which we can interpret this table is in the form of percentages. In short, the industrial profits were almost 46 percent higher in the last quarter of 1939 than in the last quarter of 1937, and 68 percent higher than in 1938.

If we refer to the statistics of income of the United States Department of Commerce, and look at the income payments by kind, the 7 months' war period from September 1939 to March 1, 1940, compared with identical months a year before shows that wages and salaries for the period from September 1938 to March 1939 were \$25,410,000,000. For the period from September 1939 to March 1940 they were \$26,405,000,000, or a percentage increase of 3.9.

Dividends and interest, in the period from September 1938 through March 1939, were at \$4,894,000,000; but in the period from September 1939 to March 1940, they were \$5,735,000,000, or an increase of 17.2 percent.

Entrepreneurial income and net rents and royalties for the period September 1938 through March 1939, amounted to \$7,229,000,000; but in the period from September 1939 through March 1940, they had risen to \$8,738,000,000, or an increase of 20.9 percent.

In short, Mr. President, dividends and interest rose, in the period from September 1939 to March 1940, 17.2 percent above the corresponding period for the previous year; entrepreneurial income and net rents and royalties rose 20.9 percent, but wages and salaries rose only 3.9 percent. This is a significant statistical comparison arguing for the enactment of this amendment if we are to make an effort to distribute the tax burden at all equitably.

Mr. President, I wish to read briefly from some clippings of the New York Times financial section, showing examples of increased corporation profits since the war in Europe began on September 3, 1939. I have selected these clippings at random. They are only a small portion of those which I could bring to the attention of the Senate if I wished to take more time this afternoon.

Here is one under date of January 31, 1940:

ONE HUNDRED CONCERNS SHOW 67 PERCENT RISE IN PROFITS—FIRST TO REPORT FOR 1939 HAD NET OF \$514,363,000, AGAINST \$308,171,000 YEAR BEFORE—WAR BOOM WAS A HELP—FIGURES COMPILED BY ASSOCIATED PRESS REVEAL SHARP GAINS BY 21 RAILROADS

Earnings of the first 100 companies to report for the full year 1939 were 67 percent larger than those in 1938, according to a compilation issued yesterday by the Associated Press.

Large profits which piled up in the brief war boom of the final quarter of the year helped increase the earnings of the group to \$514,363,000, compared with \$308,171,000 in 1938.

In other words, Mr. President, 100 companies increased their earnings in the first half-year of the war in Europe by more than \$200,000,000, as compared with their earnings for the year 1938.

Mr. President, shall we pass a tax bill snatching the pennies out of the hands of children who want to go to the movies, increasing the Federal gas tax half a cent a gallon, and going down into the lower-income brackets, and fail to ask the corporations of the country, in proportion to their ability to pay, to carry their fair share of the load? That is what we shall be doing if we pass this bill without an excess-profits-tax amendment.

Here is another clipping:

Airplane concern trebles earnings—Glenn L. Martin Co. has \$2,162,670 net in first quarter—\$682,496 in 1939—Backlog of \$92,016,023—Contracts on hand call for bombing craft for the United States to cost \$16,000,000.

I read from a number of similar clippings:

MACHINERY FIELD SHOWS PROFIT RISE—PROFITS OF 109 COMPANIES IN 1939 PUT AT \$66,702,118 AGAINST \$36,492,998—83 PERCENT GAIN IN YEAR—BUT RESULT IS 30 PERCENT UNDER THE \$95,163,910 ACHIEVED BY CONCERNS IN 1937

(By Kenneth L. Austin)

Manufacturers of machinery in the United States made a strong recovery in earnings in 1939, compared with the year before, and the results indicate that the outbreak of war in Europe has stimulated the demand from abroad for types of machinery used in production of munitions and construction of defenses.

The combined profits of 109 companies in the mechanical industry were \$66,702,118 in 1939, compared with \$36,492,998 in 1938, a gain of 83 percent. The result was 30 percent below the profits of \$95,163,910 for the same companies in 1937.

In 1937 much money was spent in the rehabilitation and construction of factories of every sort in the United States, although the over-all program was curtailed in the latter part of the year by the deep recession that began in midsummer. Hence the strong gain of 1939 indicates the effects of heavy foreign buying for many types of machinery rather than the restoration of domestic buying to former levels.

Quarterly results show that the boom in machinery production in the final quarter of 1939 was not fully reflected owing to the fact that numerous companies made charges for the year in the final quarter which properly should be allocated over previous quarters, the figures used representing the difference between reported annual results and cumulative figures for the first 9 months.

The quarterly reports compare as follows, the figures in brackets denoting the number of companies reporting:

	General factory machine (12)	Machine tools (6)	Outdoor machinery (13)
<b>1939:</b>			
Fourth quarter.....	\$4,153,997	\$1,028,534	\$3,830,453
Third quarter.....	2,046,165	525,986	3,785,848
Second quarter.....	1,289,485	444,047	3,078,582
First quarter.....	339,973	437,220	1,938,732
<b>1938:</b>			
Fourth quarter.....	785,754	291,477	1,340,844
Third quarter.....	1,446,734	202,466	2,445,538
Second quarter.....	1,212,314	157,823	1,844,519
First quarter.....	375,358	563,685	1,927,165

<sup>1</sup> Loss.

In most instances the figures are for calendar quarters, but a few figures are for business periods of variable length which correspond roughly to quarters.

**CHRYSLER REPORTS RECORD EARNINGS—RESULTS IN BEST FIRST QUARTER WERE \$15,742,388, AGAINST \$11,638,290 LAST YEAR—SALES ALSO THE HIGHEST—KELLER TELLS OF ORDERS FOR BOMB FUZZES, SHELLS, AND OTHER WAR EQUIPMENT**

"The corporation has received from the War Department diversified educational orders for ordnance such as bomb fuzes, shells, and cartridge cases, and a special department for handling this character of business has been organized. In addition to ordnance a very substantial military-truck business has been developed."

Three million seven hundred and nineteen thousand five hundred and forty-six dollars cleared by Allis-Chalmers—profit in 1939 compares with \$2,553,946 earned in the preceding year.

**AIRWAYS COMPANY CLEARS \$1,984,438—PROFIT PEAK FOR PAN AMERICAN IN 1939 REPORTED BY JUAN T. TRIPPE, PRESIDENT**

Juan T. Trippe, president of the Pan-American Airways Corporation, reported yesterday for 1939 a net profit of \$1,984,438, equal to \$1.46 each on 1,361,964 capital shares, compared with \$46,672, or 3 cents a share, earned in 1938. Last year was the most successful in the history of the company, he said.

Ford Motor profit put at \$16,402,746—net for 1939, based on balance-sheet items, against loss of \$18,560,459 in 1938.

Income increased in first quarter—International Paper and Power earnings rise to 99 cents a share from 1 cent.

Sales and profits of Sears at peaks—total for year ended on January 31 largest in 54 years of business, officers say.

United States Steel reports \$17,113,995 profit—first-quarter net is equal to \$1.24 a share, against 18 cents on 7-percent stock year ago—shipments 25 percent better.

National Steel Corporation made \$1.82 a share to March 31; \$1.10 in 1939.

Speaking of this company, export orders, which usually account for about 5 percent of production, currently are taking about 15 percent of output, Mr. Weir said.

United States Steel cleared \$41,226,039 in 1939.

Corporation had a net loss of \$7,714,454 in 1938, and profit of \$94,944,358 in 1937.

Inland doubles profits.

Steel company and subsidiaries netted \$10,947,251 in 1939.

Mr. President, we not only have the situation produced by foreign orders, but as everyone knows, a substantial program got under way last year, so far as our own rearmament was concerned. This, however, will be merely a drop in the

bucket compared with the increased expenditures for that purpose as a result of the program enacted or to be enacted by this Congress before it adjourns. Let me point out how rapidly the expenditures were rising in 1940 as compared with 1939.

In 1939 the Bureau of Foreign and Domestic Commerce reports that the monthly average of national defense expenditures by the Federal Government was \$108,000,000; but in January 1940 it had risen to \$134,000,000. In February it was \$131,000,000. In March it was \$145,000,000. In April it was \$163,000,000.

Mr. President, we are appropriating upward of \$4,000,000,000 at this session of Congress for national-defense appropriations, and we have not yet adjourned. Is it not essential, if we are to have an equitable tax structure, that the Congress should enact an excess-profits tax in order that the corporations which are benefiting not only directly but indirectly from the huge expenditures which are being made shall be required to share the huge burden which the people of this country must undertake?

At this point I desire to quote examples of substantial returns on invested capital in so-called normal years. I read from a statement of percentage of net profit on invested capital of selected corporations, 1934 to 1938, from the Securities and Exchange Commission reports.

Here is a group of the aircraft companies:

In 1934 the Bellanca Corporation made 18.63 percent net profit on invested capital. By 1938 that profit had risen to 29.20 percent. The Consolidated Aircraft Corporation had a net profit on invested capital of forty-four one-hundredths of 1 percent in 1934. In 1938 it was 39.54 percent.

The Wright Aeronautical Corporation had a net profit on invested capital of 15.01 percent in 1934, but by 1938 it was 40.36 percent.

Nonferrous metals:

The International Nickel Co. had a net profit on invested capital of 11.63 percent in 1934. It had risen to 18.30 percent in 1938.

Mr. LUNDEEN. Mr. President, will the Senator yield at that point?

Mr. LA FOLLETTE. I yield.

Mr. LUNDEEN. I am wondering if labor received a corresponding increase. The records show that wealth increases and poverty deepens.

There is an old oriental saying that when the rich grow richer and the poor grow poorer, something happens.

Mr. LA FOLLETTE. Mr. President, I have not the comparable figures, but I think there is no indication of a corresponding rise in wages. I quoted here figures from the Department of Commerce income reports showing that between September 1938 and March 1939, compared with September 1939 through March 1940, wages and salaries rose only 3.9 percent, whereas dividends and interest rose 17.2 percent and entrepreneurial income and net rents and royalties rose 20.9 percent.

Mr. LUNDEEN. Mr. President, I should like to say that the able Senator from Wisconsin is rendering distinguished service to America when he calls attention to the disparity in these figures between the wages of labor and the rewards of capital invested. Certainly we can collect taxes from the top; and why not do just that? Why tax these millions on the bottom? Why tax the roofs from their heads, the clothes off their backs, and the bread from the mouths of their children? I am against lowering the tax base down upon the backs of the poor while we permit the rich to escape.

Mr. LA FOLLETTE. Mr. President, take the Sperry Corporation, for instance: In 1934 its net profit on invested capital was 28.47 percent. In 1938 it was 51.57 percent. I ask to have the data printed in full at this point in my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

The matter referred to is as follows:

Percentage net profit on invested capital<sup>1</sup> in selected corporations, 1934-38

	Years				
	1938	1937	1936	1935	1934
<b>Aircraft:</b>					
Bellanca Corporation.....	29.20	23.75	11.65	33.66	18.63
Breeze Corporations, Inc.....	11.37	5.84	19.56		
Consolidated Aircraft.....	39.54	16.03	8.96	15.83	.44
Douglas Aircraft.....	24.36	15.20	11.40	28.39	
Irving Air Chute Co.....	44.73	34.06	22.77	39.03	15.43
Lockheed Aircraft.....	13.00	8.47	6.11	37.85	
Glenn L. Martin Co.....	21.14	16.49	13.02		
The Sperry Corporation.....	51.57	34.86	31.25	21.85	28.47
Wright Aeronautical Corporation.....	40.36	33.14	17.53	6.95	15.01
<b>Nonferrous metals:</b>					
American Smelting & Refining.....	10.81	18.94	17.74	14.26	6.48
Hudson Bay Mining & Smelting.....	14.31	23.39	12.64	11.44	6.38
International Nickel.....	18.30	27.58	21.55	15.89	11.63
<b>Oil refining:</b>					
Continental Oil Co.....	4.68	15.67	11.94	11.20	7.12
Phillips Petroleum Co.....	5.03	13.62	11.81	10.43	5.04
Skelly Oil Co.....	6.20	15.17	13.24	8.91	4.14
Standard Oil (New Jersey).....	8.22	13.30	10.32	7.34	5.97
<b>Chain grocery stores:</b>					
First National Stores, Inc.....	13.87	13.73	18.26	15.87	17.73
Roberts Public Markets, Inc.....	20.67	13.52	19.58	27.64	
Union Premier Food Stores.....	36.98	43.19	54.96		
H. L. Green Co., Inc.....	20.84	23.26	27.30	25.05	26.37
<b>Dairy products: National Dairy Products.....</b>					
	9.65	8.85	10.81	8.64	6.94
<b>Mail-order companies:</b>					
Sears, Roebuck.....	11.99	16.36	16.44	13.96	10.41
Montgomery Ward.....	12.34	13.70	14.34	11.28	8.02

<sup>1</sup> From Securities and Exchange Commission reports. The ratio was computed by taking the net operating result for the period before interest, prior claims, and income tax, and dividing this amount by the total of invested capital at the end of the period. Invested capital was computed as follows: Long-term debt plus net worth plus minority interest. Net worth was derived by subtracting deficit carried as an asset, treasury stock carried as an asset, preferred stock held in sinking fund, and discount on capital stock from the total of capital stock and surplus. Total debt was taken as the sum of long-term debt and current liabilities.

Mr. LA FOLLETTE. Mr. President, this amendment is an equitable amendment. It allows 8 percent profit, plus \$3,000. It takes only 20 percent in the first bracket and 40 percent in the second. Is it not fair, is it not equitable, to ask corporations which are making such a large percentage of profits on their invested capital to pay, in accordance with their ability to pay, a portion of this enormous increase in expenditures due to national defense?

In 1937 the S. E. C. reports show that out of 499 corporations, 146 earned less than 5 percent on invested capital; 231 had profits between 5 and 15 percent on invested capital; and 122 had profits of over 15 percent.

Mr. President, I am not advocating this amendment solely as a means of reaching the windfall which will be enjoyed directly and indirectly by corporations in this country. I believe that the enactment of excess-profits-tax legislation will bring about a sound reform in our tax structure; that it will apply the principle of ability to pay in a measure to the corporations of this country as we now apply the principle of ability to pay in our graduated income taxes.

I think it is economically sound for corporate business to be required to be taxed according to the principle of ability to pay.

Mr. WILEY. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. I yield to my colleague.

Mr. WILEY. I am very much interested in the argument my colleague has been making. I am informed that England practically has not taxed corporations, but has taxed the taxpayer himself, realizing that the corporations produce industry. I am wondering whether my colleague has looked into that feature, and the reason for that method of taxation in England.

I call the attention of my colleague to this significant thing, that if the corporations of this country had not created a reserve in 1929, the storm which we experienced then, which was a pretty good storm, would have been a hurricane. I think the facts show that the corporations of this country exhausted their reserves and paid out a great deal more than the Federal Government did. I am wondering whether, in the consideration of the excess profits, my col-

league has considered the advisability of permitting a percentage of revenue to be set aside as a reserve for the purpose of taking care of labor in the years that are ahead. Everyone claims that after the war is over we will run into a depression. I think the distinguished Senator from California made several speeches to that effect, and I think the distinguished Senator from Maryland did likewise. I am wondering whether in this picture there should not be reserves built up, not with the idea that the stockholders should benefit, except as labor would benefit. If that were done, it seems to me that everyone would agree that anyone who profits now should pay the additional tax.

Mr. DOWNEY. Mr. President, will the Senator from Wisconsin yield?

Mr. LA FOLLETTE. I yield.

Mr. DOWNEY. Contrarywise to what the distinguished Senator from Wisconsin has asked his colleague, I should like to ask the senior Senator from Wisconsin whether he has considered that economists now are very much in agreement that it was the accumulation of the tremendous reserves, and the stagnation of those great sums of money, which tended to bring on the depression of 1929, and may tend to bring on another depression.

Mr. LA FOLLETTE. Mr. President, in response to the inquiry made by my colleague, I will say that a considerable amount of data and testimony was presented to the Finance Committee on that very subject, in connection with the consideration of the undistributed-profits tax, and of course, as in all these matters, there is a divergence of opinion as to whether or not the accumulation of the reserves by corporations contributed to their ability to continue employment during the period of the depression. The Senator can find a considerable amount of statistical material and economic argument on both sides of that question.

So far as I am personally concerned, I have no doubt that the accumulation of huge corporate reserves contributed greatly to the excesses of the boom period prior to 1929, and I think that the evidence shows that the excess reserves carried by corporations did not result in prolonged continuation of manufacturers building up their inventories, which could not be sold after 1931 and 1932. In other words, no matter how willing, no matter how humane, no matter how humanitarian the managers of a corporation may be, there comes a limit to their ability, in fairness to their stockholders, to continue to operate and manufacture and build up inventories when they cannot sell their goods.

It is my personal opinion that the experience of corporations in the period of 1930, 1931, and part of 1932, when President Hoover and others were encouraging them to believe that the depression would be of short duration, and they did build up inventory, and ultimately took a terrible licking on it, was one of the reasons why the decline in the fall of 1937 and 1938 was so precipitous, because the moment they found inventories piling up in the fall of 1937, they curtailed production in order to save themselves from the tragic experience which they had had at the onset of the depression.

Mr. DOWNEY. Mr. President, would the Senator yield further so I may suggest the absence of a quorum?

Mr. LA FOLLETTE. Oh, no.

Mr. ASHURST. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. I am glad to yield.

Mr. ASHURST. Again we hear—and I do not know whether it is accurate or not—that a drive is being made looking toward an adjournment on next Saturday.

I wish to assist in the passage of the tax bill, but unless we can have some assurance that there will be no attempt to adjourn this body next Saturday, I shall feel justified, and so will other Senators, in using every proper means known to prolong the situation, and force Senators to abandon the idea of adjourning Saturday. When the collapse in Europe is upon the world, with its resultant crisis to the United States, serious men propose an abandonment of their duty.

Therefore, Mr. President, I call upon the responsible leadership to advise us that there will be no attempt, in any circumstances, to adjourn this body next Saturday. Unless we can have such assurances—and we ought to have them—it would be useless to attempt to try to pass this bill under whip and spur.

Mr. HARRISON. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. I do not know whether or not the Senator from Arizona has concluded.

Mr. ASHURST. I call upon Senators frankly to declare and give us assurance that there will be no attempt to adjourn next Saturday. That is only 3 or 4 days away. The calendar is filled with bills of a very important nature. There is the transportation bill. If we fail to take action on the transportation bill, or at least furnish a stopgap of some sort, 20,000 men, not in Government employ, but in private employ, at good wages, will lose their positions within 20 days. Yet it is proposed by some serious men that the Congress adjourn.

Mr. LA FOLLETTE. Mr. President, I can only say that I made my position clear on the matter of adjournment many weeks ago, and I protested in the Finance Committee, as I have tried to protest here, against jamming this tax bill through on the theory that it had to be passed in order that we could get through next Saturday night.

I share the Senator's feeling that we should not adjourn. I am not in favor of taking a recess until next August, or any such proposition. Unfortunately, I cannot answer the Senator. I do not speak for the majority. I do not speak for the seating arrangement. I can speak only for myself, but I make no bones about speaking very frankly on the question of recess or adjournment. I am against it, and I think the country is against it. I think the people want to see their representatives remain here during this critical period. But if the Senator wants assurances which will be good for anything, he will have to get them from someone who represents more votes in the Senate, at the moment, than I do.

Mr. BARKLEY. Mr. President—

The PRESIDING OFFICER (Mr. SMATHERS in the chair). Does the Senator from Wisconsin yield to the Senator from Kentucky?

Mr. LA FOLLETTE. I yield.

Mr. BARKLEY. I do not know to what the Senator from Arizona referred when he mentioned the transportation bill, unless it was the bill which passed both Houses and remained in conference half of last year, and was taken up in the House of Representatives and defeated by recommitting it to the conference committee, following which the Senator from Montana [Mr. WHEELER] announced that that meant the transportation bill was dead so far as this session was concerned. I had assumed that he spoke by the card. So far as I know, the conferees have not met again since the House re-committed the bill to the conference committee, and it might be entirely possible to remain here without recess or adjournment until Christmas, and still have no transportation bill, so far as present prospects are concerned.

Let me say about the matter of adjournment that until very recently I think it was practically the unanimous feeling of the Members of Congress that, as soon as legislation was enacted which was deemed necessary, Congress would adjourn. Of course, the situation has changed in the last month or so. I think it extremely doubtful whether any effort will be made to adjourn Saturday. But this is the situation, and we might as well be practical. It may be that there even ought not to be a recess over the conventions, but we might as well consider that there will be little, if any, legislation enacted while the conventions are in session.

Next week there will be no legislation, practically speaking. That will take us up to the 1st of July. Then the Fourth of July season will be at hand, when, of course, many Senators will want to take advantage of the opportunity to make patriotic speeches. Of course, they do not have to do that, but they like to do it and their constituents like them to do it.

Then the other convention will meet in Chicago on the 15th day of July and there will be no business transacted probably during that week. That will take us up to the 21st of July.

It has been thought at least worth while to consider whether it might not be wise to recess from Saturday until some date around the 1st of August, to get by the conventions, and to give Members an opportunity to circulate a little among their constituents, to determine really what they feel about what is going on in this country and around the world. Personally I think it would be a wholesome thing if Members could go back to their constituents for a few days and talk with them and argue with them. It may be that they ought to take the leadership in their communities and their States with respect to certain matters which are subject of repeated debate here.

I recall in my own case—and I have not been in my own State since Christmas—that when I left Kentucky during the Christmas week everybody I saw, those in the churches, on the streets, in the Rotary Clubs, in the chambers of commerce, and on the farms, everywhere, were saying to me, "Keep us out of war. Keep us out of war. No matter what happens, keep us out of war." Now we get letters from our States. There has undoubtedly been some change in the attitude of the people toward the war in Europe.

I happen to represent a State of 3,000,000 people. I probably have received a thousand letters one way or the other on the subject. I do not know whether or not those thousand letters represent the 3,000,000 people I am trying to represent here.

I do not see how any harm could come, frankly speaking, and I really believe it would be wholesome—it would do Congress good, it would do the country good, it would certainly do the people good, if we were to go back among our people for a week or two and go out among them, out in the country, go to a church on Sunday morning, and listen to how they feel about all this, go to the lodges, stand on the street and listen to the people talk, talk to the farmers. Not many of them have written to me. Talk to the women out in the communities and in the schools. Find out what they are really thinking.

I believe that a little cessation from legislation, and certainly a cessation from heated oratory on both sides of this war situation, would be wholesome. It would do Congress good. It would do the country good. And even if we were to recess from next Saturday until the 1st of August, the President could call us back 3 days afterward, if any emergency arose that would justify him in doing so.

In those circumstances, I will say to my friend the Senator from Arizona [Mr. ASHURST] frankly that consideration is being given—I do not know whether or not it will be worked out—consideration is being given to the proposition that we might recess at the end of this week, assuming that we pass the necessary defense legislation which has been asked and urged, until some date around the first of August, without doing any harm to Congress or to the Government or to the cause of legislation.

I am not dogmatic about it. So far as I am concerned, I personally do not care whether we recess or adjourn. I will be here in the performance of my duties to the best of my ability.

But we are a representative government, and, after all, whatever we do here must be backed up by the opinion of our people. We cannot go any faster than they go. We ought not to go very much more slowly than they go, but certainly we ought to try to represent them.

I have believed, and I now believe, that it would be a wholesome and a beneficial thing if, assuming that we wind up the necessary and urgent legislation this week, Congress should recess for a month at least in order that the things I have mentioned might be brought about; but I wish to say to the Senator from Arizona very frankly that no effort is to be made to adjourn sine die Saturday, and I do not know when such an effort will be made.

Mr. ASHURST. Mr. President, will the Senator from Wisconsin yield to me?

Mr. LA FOLLETTE. I yield.

Mr. ASHURST. First, I wish to say that the speech made by the able Senator from Kentucky is just and fair. I am bound to admit there is force in what he has said, as there is force in nearly everything he says, and that there is usually much wisdom in his speeches.

The trouble with the statement of the able Senator from Kentucky is that he says "after we shall have passed such legislation as is deemed of importance and necessary for national defense." That is the very trouble, Mr. President. A number of Senators differ among themselves as to what is urgent and important legislation. I have the calendar before me, and I have marked a large number of bills thereon, some of them House bills and some of them Senate bills, which, in fairness to our constituents and in fairness to the American people generally, should be passed. The able Senator, by his intuition, correctly identified the bill when he referred to the transportation bill which came from the Committee on Interstate Commerce, and it was with much regret that I heard him say that the able Senator from Montana [Mr. WHEELER] had concluded to abandon any attempt to pass that bill.

Mr. President, I have known the able Senator from Montana since his young manhood. Long ago I predicted that he would rise even to a higher place than a seat in the Senate, and it is very uncomplimentary to say of him that he would run away, abandon, give up any attempt to have passed a transportation bill when the country needs it most seriously. I am not asking that the transportation bill as it was written by the Senate or by the House or by the conferees shall be adopted; but I say—I will not take the time to prove it—that if this body adjourns without taking some action on the transportation bill, 20,000 men now drawing good wages, not from the Government but from private industry, will lose their situations and will lose their wages. That is a serious matter, Mr. President. Twenty thousand able men, men of high-grade ability, will lose their positions unless some sort of transportation bill is passed by July 1.

Mr. President, I am not going to do as I had intended to do, read off the calendar of bills. In 1932 many persons saw the depression coming. The Republican National Convention was in session. The Senate manfully did its duty, notwithstanding the fact that the Republican National Convention was in session. Then the Democratic Convention was held, and the Senate stayed here manfully and did its duty to the country although the Democratic Convention was in session.

Mr. President, we are faced with a great crisis. We have heavier duties to perform now than were imposed upon us in 1932. The able Senator from Kentucky would be chargeable with remissness and neglect if he failed to attend the Democratic Convention. It is his duty to be there because he has upon him a great responsibility as a leader, justly earned, which he will continue to uphold. I should say he would not be living up to his responsibility as the party leader if he should fail to attend the Democratic National Convention. Others may not be in the same situation. But I say the sourest note we could sound, the most depressing thing we could do, would be to continue this talk of adjournment, and under the whip and spur of the necessity of adjourning next Saturday, drive through legislation. The able Senator from Texas [Mr. CONNALLY], who has an unusual power of expression, in speaking of the tax bill said, "Certainly the time to operate is when the patient is ready, willing, and anxious." That is the truth, not only in politics, but in business and medicine. The time to operate is when the patient is ready, willing, and anxious. The people say, "We expect you to pass a tax bill." This should be—and I think it is—a very good bill, but let us not shrink from the full discussion of this bill and all others which mean the strength and security of our country.

John Milton said that the way to succeed is to scorn delights and live laborious days. The Senator from Kentucky [Mr. BARKLEY] has said that we ought to go home and not "panhandle" the voters; of course he would not resort to such

an expression, but he indicated at least that we ought to go home.

Mr. BARKLEY. I did not use that expression.

Mr. ASHURST. I know the Senator would not use it.

Mr. President, I know how the voters of this country stand. Does the Senator need to be told how the people of the country view the present posture of affairs? Does the Senator mean to say that he must go home and stand around on drug-store corners to find out what the people think? Does he have to go home to find out what the people think about the European war?

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. ASHURST. I yield.

Mr. BARKLEY. Let the Senator tell us, if he knows what the people think we ought to do about the war.

Mr. ASHURST. Indeed I shall. Will the Senator allow me to tell him?

Mr. BARKLEY. Yes.

Mr. ASHURST. First, demonstrate that democracy can act in a crisis, and not run away from its duties. Running away from its duties is what brought France, the nation of light and culture, to her prostrate position. Many members of her parliament, in a cowardly way, ran away from their duties and would not face them. The first thing we should do is to show the country that we are not abandoning our duties, but are here performing them.

Secondly, carry out the President's program of rearmament and preparedness. Announce that the American eagle says, "We will allow no aggression." Stop the aggressor at the door. Keep out of Europe's wars.

Does the Senator think I am misspeaking the sentiment of the people?

Mr. BARKLEY. I do not.

Mr. ASHURST. I do not believe 1 percent of the American people want an American soldier sent to Europe. Their deaths would be unavailing martyrdom. Men may be heroes, but their martyrdom is unavailing unless they are well trained.

Mr. President, I should be glad to go home. I have a political campaign in the offing. I gnaw at my chains here. I can stand defeat with perfect equanimity, but I do not intend to have attached to me the stigma that I ran away from my duty and helped to demonstrate that democracy could not operate in time of peril.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. ASHURST. I am through.

Mr. BARKLEY. Mr. President, in the first place, I wish to correct what might be regarded as a misunderstanding of my reference to the Senator from Montana [Mr. WHEELER]. Certainly the Senator from Montana never runs away from the performance of his duty; and I will say that the Senator from Montana, the Senator from Missouri [Mr. TRUMAN], and other members of the Committee on Interstate Commerce, of which I happen to be a member—though I could not engage in the details of the legislation to a very great extent—spent more time on the transportation bill than on any piece of legislation I know of in the past few years in this or any other body. They worked hard in committee. They held long hearings. The bill passed the Senate. It went to the House, and the House committee held long hearings. All that was written in the Senate bill was stricken out and a new bill was written, which passed the House. It went to conference, and it was in conference for 2 months. The bill was finally brought to the floor of the House, and it was defeated.

There is nothing pending before either House on the subject of transportation, and it would be legislatively impossible to pass a bill on that subject by July 1. When the House took that action the Senator from Montana was quoted in the newspapers as stating that, in his judgment, that meant the death of transportation legislation for this session. In making that statement the Senator from Montana was somewhat realistic. He was stating facts when he said that he believed that the defeat of the conference

report in the House made it impossible to obtain legislation on the subject.

Mr. President, I certainly would be the last to create the impression, or to want the impression to be created, that the Senator from Montana, by recognizing the inevitable, as it seemed to him, was running away from the performance of his duty.

The Senator from Arizona has referred to what has happened in other countries. He has said that the defeat of the Allies was brought about because their parliaments ran away from the performance of their duties. I do not know whether that condition was brought about by their specifically leaving the seat of legislation, or whether they ran out on their duties or failed to perform them while they were in session. I do not know as to that. It is just as easy to fail to perform our duties while we are in session as it is when we are out of session.

It seems to me that this is a practical situation. We know that during next week we shall do nothing of very great importance. Our friends on the other side of the aisle are interested in a great occasion. Although we might regret it, our Constitution requires that we elect a President of the United States in this country next November; and in the ordinary processes of bringing about that election conventions are to be held. Men are to be nominated by the two parties for President of the United States. That is not a duty which can be neglected. That is not a casual circumstance. In my judgment, nothing more important can face the people of the United States this year than to determine who shall govern our country for the next 4 years. That being true, men are sensible if they desire to take part in the performance of that duty and the selection of those who are to be voted for in November.

If it be true that during next week we cannot do much, and shall be merely drifting along, many Senators may go home. They might not return to Washington during the intervening 2 weeks between the convention in Philadelphia and the convention in Chicago. I think I can assure the Senator from Arizona that, regardless of adjournment or 3-day recesses, we shall be in session during the coming fall, beginning early in August. Even if we were to adjourn—which I am not now advocating—or recess until the first of August, or take 3-day recesses and do nothing, I think it is entirely likely, and I can almost guarantee, that we shall be here from August on.

I think the very subject now under discussion in the amendment offered by the Senator from Wisconsin is one which is entitled to early consideration. It is entitled to be taken up and passed upon. If we are to pass a bill, an amendment, or a provision along the lines of his amendment, American industry ought to know it is soon as possible, so that it will know how to govern itself in the future.

Mr. ASHURST. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. ASHURST. I have no way of divination. I believe that the American people expect us, as a Congress representing them, to render to the Allies all possible material aid—airplanes, machinery, supplies, and so forth. By "aid" they distinctly do not mean sending American soldiers to foreign countries. They expect us to remain in session to give aid so necessary to the Allies. If we adjourn, or even take recesses for 3 days at a time, we shall be in such a situation as to be powerless to pass bills looking toward rendering to the Allies the aid so necessary at this time.

So, Mr. President, I am not charging the Senator from Montana [Mr. WHEELER] with having abandoned his duties. I say that it is strange for the Senator from Kentucky to announce, as a responsible leader, that no attempt will be made to pass a transportation bill. The fact that it has been defeated means but little. It is within the literary and legal resources of the Interstate Commerce Committee at any time to bring forth a bill which will meet approval. If they are unable to agree on the large bill, which I think is Senate bill 2009, they might pass a stop-gap bill, or a temporary expedient which would at least serve until the regular session next January.

Mr. President, I do not want to be a party to stopping the progress of the pending bill; but I want to feel assured that no movement will be made looking toward any adjournment next Saturday.

One of the most wholesome things that have happened, one of the things that justify a republican form of government, is that here on the opposition side, on the Republican side, are two candidates for President who, whatever be their fate—

Mr. NEELY. Mr. President, will not the Senator put in the actual number?

Mr. ASHURST. No, Mr. President—whatever be their fate, they at least have demonstrated that they are worthy. We have never heard a word from either Republican Senator who is a candidate for President about adjournment, because he knew—he had prescience enough, judgment enough, to know—that if he talked a moment about adjourning, his political fortunes would collapse like a house of cards. We have not heard a word from either one of them about adjourning, because the votes they have, be they many or few, would disappear, they would show themselves to be unworthy of Presidential honors, if they talked of adjournment at this critical time.

Mr. BARKLEY. If the Senator will permit me at that point, it is unnecessary to talk about Congress adjourning when the candidate himself adjourns whenever it suits him. [Laughter.]

Mr. ASHURST. I did not catch that statement.

Mr. BARKLEY. I said that it is not only unnecessary but probably would be indelicate for a candidate for President to talk about Congress adjourning or not adjourning when he himself, as an individual candidate and Senator, may adjourn whenever it suits him, and go all over the country advocating himself as a candidate. So it is easy for a candidate not to say anything about it when he runs all around, from one end of the country to the other, adjourning himself. [Laughter.]

Mr. ASHURST. If any candidate for President has done that, he has weakened his candidacy just that much by the number of days he was absent.

Mr. BARKLEY. I am naming no names.

Mr. ASHURST. No; I did not think so. If any Republican candidate has abandoned his duties and has gone out barnstorming for delegates, he has degenerated and weakened his candidacy just so much.

Mr. BARKLEY. Just a word, and then I am not going to take any more of the time of the Senator from Wisconsin.

The Senator from Arizona has made light of our suggestion that we ought to keep in touch with our people. I have been here a long time, and so has the Senator from Arizona. We sit around here in this Chamber and these cloakrooms and we hear noises, because Washington is a sort of sounding board for all sorts of noises as well as nostrums. Sometimes we hear imaginary noises, and we think the world is about to come to an end; and we go back among our people and we find that they are calm and deliberate and going about their business, and have not even heard the noise that has scared us in Washington out of a year's growth.

So far as I am concerned, I am unconcerned about whether we recess, or adjourn, or meet every day from now until Christmas. I can assure the Senator, I think, that no motion will be made to adjourn sine die at the end of this week; and another thing: We have passed every piece of legislation of the defense program that has been asked except this tax bill and the supplemental appropriation bill, which has already been reported and will be taken up tomorrow.

Mr. ASHURST. Asked by whom?

Mr. BARKLEY. By the President, or by the Department of War, or the Department of the Navy, or those who are undertaking—

Mr. ASHURST. Is the able Senator from Kentucky going to put himself in the position that the only measures we ought to consider are those that have been asked by the executive department?

Mr. BARKLEY. Oh, no.

Mr. ASHURST. We are the legislative branch. There are bills on the calendar not asked by the Executive that should be submitted for his consideration and signature. We do not require the ipse dixit of the Executive to legislate.

Mr. BARKLEY. Oh, no. The Senator from Arizona cannot put words in my mouth. I am talking about the defense program. The calendar is full of bills that have not been considered, and probably the country would be better off if some of them never were considered; but they are here, and they are entitled to be considered if Congress wants to stay here to consider them. But what I am talking about is that if by Saturday night the tax bill, the appropriation bills, the naval-expansion bill, and the entire defense program have been completed, the country would not suffer very materially if for 2 or 3 weeks we suspended legislation of another character, not connected with our national defense.

Mr. ASHURST. Senators and Representatives would not suffer, because their salaries would run on; but 20,000 stalwart workers would suffer somewhat when their salaries were cut off.

Mr. BARKLEY. The Senator from Arizona has emphasized the railroad bill, and I have tried to explain the situation. I do not believe there is a Member of the Senate who thinks that by the first of July any legislation on that subject is possible. We talk about stopgap legislation on a great railroad or transportation subject. The Committee on Interstate Commerce of the Senate and the Committee on Interstate and Foreign Commerce of the House have been working for a year and a half on transportation legislation. There is no more important subject. After they have worked for a year and a half their work seems to have been nullified by the vote of another body. It is not an easy matter for that committee to get together overnight, or in a month, and work up a stopgap piece of legislation that can be passed in both Houses of Congress and meet the approval of the Executive. So I think we must look at that subject, as all other subjects, in a practical way.

I apologize to the Senator from Wisconsin [Mr. LA FOLLETTE] for taking up this time; but I did feel it my duty to unravel my mind to the Senator from Arizona. Whether or not it has unraveled his, I do not undertake to say.

Mr. LA FOLLETTE. Mr. President, in further response to the statement made by my colleague the Senator from Wisconsin [Mr. WILEY] some time ago, I will say that Great Britain imposes an excess-profits tax, allowing only 6 percent return, and takes 100 percent of the excess above that amount.

Canada likewise has an excess-profits tax and is taking a very substantial amount of the excess profits over the allowed return.

If we want to collect this tax, I think it is essential that we enact it now. It is true that if Congress should go to work on this subject next January, it could pass a bill and make it retroactive to apply to 1940 incomes; but, Mr. President, can you not hear the hue and cry which would be raised if any such effort were made? Corporations would say that they had made their plans without regard to the excess-profits tax, and that it would be unfair and unjust to make the tax retroactive.

I do not claim that this amendment is perfect; but I do claim that in the light of this emergency we can reenact the 1921 excess-profits tax, with certain changes made in the light of experience under that tax to make it more definite and more workable. If there develop changes which are necessary, there will be an opportunity in January to make such changes.

Mr. President, I fear that if this tax is not imposed now, when the Congress reconvenes in January, with all of the delays that are inherent in an effort to revise the entire tax structure, the measure will be a long time in passing through both Houses of Congress and becoming a law, and that there will be great resistance to making the excess-profits tax retroactive.

Therefore, Mr. President, I appeal to the Senate to attach to the pending bill this amendment, which is based largely

upon the 1921 act, with certain changes and adjustments made in the light of the experience under that act, with certain simplifications eliminating alternatives which that act gave to the Commissioner of Internal Revenue. I appeal to the Senate thus to establish the principle, thus to show to the country that we propose, in accordance with ability to pay, to call for increased taxes from corporations making excess profits, upon the corporations with large profits, including profits from the huge armament expenditures which will mount month by month as the defense program gets under greater headway.

Mr. President, I wish to say, in conclusion, what I said at the beginning. I am for equitable taxation. I was brought up to believe in taxes levied in accordance with the principle of ability to pay. During my service in this body I have seized every occasion afforded by legislation passed through the House of Representatives dealing with revenue to move in the direction of imposing taxes and distributing burdens in accordance with ability to pay. But despite every effort I have been able to make, the increasing burdens of taxation have more and more been shifted over onto the direct taxes, which are levied not in accordance with the principle of ability to pay, but which fall heaviest upon those who have the least ability to pay.

In the pending tax bill such taxes are being jacked up; they are being further increased; we are reaching down into the lower individual income-tax group, as I have advocated here for many years. But when it comes to accepting a proposal to tax corporations upon their excess profits in accordance with ability to pay, in this critical emergency, we are told we have not time; we are told that it is a complex subject; we are told that we must wait until the Ways and Means Committee begins a general revision of the income-tax law.

Mr. President, I have been waiting for that general, scientific, comprehensive revision of the income-tax law, which has been promised every time a tax bill has been before the Senate during the 15 years I have been a Member of this body.

Mr. SHIPSTEAD. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. I yield.

Mr. SHIPSTEAD. As I understand the Senator's idea of raising war taxes, it is that those who make the profits out of war should pay the taxes for the conduct of the war. There is nothing confusing about that—it is very simple—and it should not take very long for the Finance Committee to arrange for that kind of a tax.

Mr. LA FOLLETTE. Mr. President, I do not want to have my proposal confused with the proposal which will subsequently be made, I understand, by the Senator from Washington [Mr. BONE] to impose a tax predicated upon the theory that it is to go into effect when and if this country is involved in actual war. I am offering this excess-profits tax proposal as a permanent addition to our tax structure. I am offering it especially in the light of the increased profits which corporations are certain to make as a result of our huge armament program.

Mr. President, those representing the majority of the Finance Committee will no doubt claim that this amendment has not been sufficiently studied; that it has not been sufficiently considered in detail. It is predicated on the law which the Finance Committee of the Senate and the Ways and Means Committee of the House of Representatives considered and Congress passed in 1921. It had consideration at that time in the light of the experience between 1917 and 1921 with excess-profits legislation.

We may debate the high-spun theories of taxation and the problems inherent in excess profits until we are black in the face, but we will not get down to the proposition of collecting the tax if we continue to debate the question in the high realms of mere theory.

This amendment has been on the statute books, to all intents and purposes. Under it substantial amounts of revenue were collected. I appeal to the Senate to put it into the pending bill; let it go to conference; let it have consideration in conference; and let it be enacted into law as a part of the

pending measure. Let us assure the people that we are not only going to lower the individual income-tax brackets; that we are not only going to jack up the excise taxes, which are paid in the largest proportion by the people who have least ability to pay; but let us likewise assure the country that we are going to ask corporations, in accordance with their ability to pay, and in accordance with the profits they make out of the armament program, to carry their fair share of the huge burden.

Mr. President, I do not know anything which would be more shocking or more disappointing to the people than to have Congress enact a tax bill increasing the burden upon those who have the least ability to pay, and fail to ask the corporations which derive the largest percentages of profit out of the armament program, to carry their fair share of the burden.

Mr. MINTON. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. I yield.

Mr. MINTON. Apparently we are getting ready also to demand the services of the young men in this country in the Army on a compulsory basis. I am not willing to force the young men of the United States to assume compulsory military training, which apparently they will have to assume, if we are not going to make the people who are engaged in the business of making money pay a substantial part of their profits in taxes.

Mr. LA FOLLETTE. I appreciate the suggestion of the Senator from Indiana. His entire record in the Senate shows that he would not take any but the equitable position which he has just announced.

In the name of equity, in the name of justice, I appeal to the Senate to adopt the amendment. It will be no answer to the people to wave in their faces a promise made by the Ways and Means Committee that there will be consideration of an excess-profits tax at the next session of Congress.

In conclusion, let me say that I do not think there could be any worse blow to the morale of the people of the United States than to pass the pending tax bill without providing for the taxation of the excess profits of corporations.

#### AMERICA'S POSITION TOWARD THE WAR IN EUROPE

Mr. LUNDEEN. Mr. President, America can be kept out of the European war. Every responsible statesman throughout our history has inveighed against our involvement in the quarrels and real-estate titles of Europe.

Today our veterans speak out in no uncertain voice against our meddling over there.

I ask unanimous consent at this point in my remarks to have printed in the RECORD a statement from the headquarters of the American Legion which begins with this sentence:

The hour has struck for the American Legion to take a vigorous stand and assume leadership to keep this country from involvement in war.

I should like to read the whole statement, but I realize that the hour is late, so I shall be content merely to ask that it be printed at this point in my remarks.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

#### AMERICAN LEGION AND THE WAR IN EUROPE

(Statement issued from American Legion headquarters, Washington. O. K. Armstrong, of Springfield, Mo., member of the foreign relations committee, declares that the hour has struck for the American Legion to take a stand against involvement of the United States in war. Mr. Armstrong, magazine writer, conferred last week with National Commander Raymond J. Kelly and with Foreign Relations Chairman Wilbur Alter)

The hour has struck for the American Legion to take a vigorous stand and assume leadership to keep this country from involvement in war.

The program of the American Legion, from resolutions of past national conventions and committee actions, stands squarely for keeping our country at peace through a strong national defense and noninterference in the quarrels of other nations. Legionnaires everywhere should make an effort to carry out the mandate of the last national convention in Chicago, which reads:

#### PREVENT INVOLVEMENT IN THIS CONFLICT

"We not only believe that this Nation need not become involved but insist and demand that the President of the United States

and the Congress pursue a policy that, while preserving the sovereignty and dignity of this Nation, will prevent involvement in this conflict."

National Commander Kelly has repeatedly stressed that our security and that of our hemisphere are our primary concern. It is time for the Legion to rally behind him to a man in his recent declaration that it is idle to consider the feasibility of intervening in the great conflict across the Atlantic.

#### LEGION COMBATING ALL PROPAGANDA

The Legion program calls for combating all propaganda designed to break down our neutrality. If any who plead for our participation in war do so with the hope of profit of any kind—financial, industrial, political, or any other—they should be branded as enemies of our American homes, institutions, and ideals.

We need sane thinking and fast, calm, silent action. A strong man well armed needs no hostile and bitter words to assert his defense.

We must halt the cultivation of the feeling that war inevitably awaits us. It is the American tradition to create good will among men and nations, and the American Legion should take the lead now as never before in continuing that tradition. As a Nation intent upon preserving democracy, we shall need all the friendship of foreign governments and peoples we can find.

In recent conferences with National Commander Kelly and Chairman Alter I have pledged my time and energy to this task. I hope my fellow Legionnaires will do likewise.

The greatest contribution the veterans of the last World War can make to America and the world is to preserve our Nation on guard and at peace.

#### AMERICAN WARSHIPS FOR GREAT BRITAIN

Mr. LUNDEEN. Mr. President, I notice in the press of this morning a report that 30 warships were sold to Great Britain. I repeat it is a press report. However, the Washington Times-Herald states that the report of sale of these ships was confirmed by the Senate Naval Affairs Committee. Therefore, I judge it to be true. I have no definite information on the subject beyond that. If this be true, then in the interest of every true American we certainly ought to investigate who controls and governs this country.

#### LORD LOTHIAN DEMANDS OUR SHIPS

Some days ago I mentioned the first report on this matter, and I referred to Lord Lothian's address at Washington and Jefferson College on June 8 (United Press dispatch) and his demand on the United States for warships, guns, and war materials.

I want to say that I do not join with those who wish to aid the Allies, if there are any Allies now, that France is done.

Anything that we sent to France a short time ago is Hitler's today. And when you saw the picture in the Star the other night showing thousands of 75-millimeter guns on the decks of a 30,000-ton French liner going over to England with our artillery—I take it, practically all our 75's—I have no assurance that that artillery will not be Hitler's in a very short time.

#### ISLANDS AND AMERICAN DEFENSE

Mr. President, I think the best way to defend America is to acquire bases on both our coasts and fortify them—air bases and naval bases—fortify our country here on this side of the Atlantic. Build our defenses here, and, above all, build our air defenses, with a separate department for the air. Brigadier General Mitchell urged that some 20 years ago. Twenty-one years ago—on the 28th of February 1919—I introduced a bill on that subject. On June 29, 1935, and May 21, 1940, I again introduced bills to provide for a separate Department of Air.

Let us build our defenses on this side of the Atlantic and keep America strong, remembering that our own best defense is our own strong right arm, and that there is nothing else upon which we may lean in the hour of trial.

#### TAXING AMERICA FOR EUROPE

I am not interested in aid for Great Britain or tax bills or appropriation bills which merely appropriate money for war materials and ships to be turned over to foreign governments.

At this point in my remarks I ask to have printed in the RECORD an article published in the Washington Times-Herald of today under the heading:

Thirty United States warships sold to England. Senate committee investigating.

I ask that this article be printed in the RECORD at this point in my remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Washington Times-Herald of June 19, 1940]

**THIRTY UNITED STATES WARSHIPS SOLD TO ENGLAND—SENATE COMMITTEE INVESTIGATING DEAL**

The Roosevelt administration has released to the British Government 20 of the Navy's fast torpedo boats and submarine chasers.

At a recent investigation of the incident, Senator DAVID I. WALSH (Democrat), of Massachusetts, chairman of the Naval Affairs Committee, told Lewis Compton, acting Secretary of the Navy, that he ought to resign.

**REPORT CONFIRMED**

This information was disclosed to the Chicago Tribune Press Service in official quarters yesterday and was confirmed by members of the Senate Naval Affairs Committee.

The released vessels include 10 torpedo boats and 10 submarine chasers in service and 10 harbor-defense or mosquito vessels that are not completed and were not scheduled for delivery to the Navy before August.

The harbor-defense boats are said to have tremendous speed. They mount a gun suitable for action against submarines, carry one torpedo tube, and have intricate sound-locating apparatus for detecting the presence of submarines.

**COST NOT REVEALED**

The cost of these vessels and the details by which the transfer is to be effected could not be learned immediately. The Senate Naval Affairs Committee obtained its information concerning the deal during a series of hearings in executive session on a bill to expedite the shipbuilding program.

Members of the Senate Naval Affairs Committee said they knew of no statutory authority for the release of naval vessels to a foreign government, or to turn them into shipbuilders for resale to foreign governments. The trade-in procedure was followed in the airplane and ordnance deals.

**DESTROYERS WANTED**

From a naval officer permanently attached to the committee and from other naval officers who appeared as witnesses, the committee learned the British were eager to buy American destroyers and that Secretary of the Treasury Henry Morgenthau was putting pressure on the Navy in behalf of the British.

The committee thereupon asked Chairman WALSH to call upon President Roosevelt and demand to know what, if anything, had been done about the British request for destroyers. Senator WALSH demurred on the ground that Mr. Roosevelt would pledge him to secrecy. He agreed to write a letter to the President requesting the information.

**COMPTON CALLS WALSH**

Meanwhile the naval attaché was instructed to say nothing about the committee's plans. When Senator WALSH was writing his letter to the President, Compton telephoned to him and said he understood the committee was requesting certain information from the President.

Compton told Senator WALSH that the Navy had not released any destroyers but that, in all fairness, it should be said that certain other craft had been released. Chairman WALSH thereupon summoned Compton to appear before the committee, which he did, last Friday.

According to members present it was a stormy session. Chairman WALSH wanted to know what authority of law the Navy had for its action. He demanded to know whether the Navy had consulted its Commander in Chief, President Roosevelt.

**ROOSEVELT NOT CONSULTED**

Compton replied that Mr. Roosevelt had not been consulted, but that Secretary Morgenthau had urged that the vessels be released.

At this point, members of the committee said, Chairman WALSH asked Compton: "Why don't you resign?"

Other members of the committee did not feel that there was any obligation upon Compton to resign or that he had any more to do with the transaction than the execution of orders.

Morgenthau's participation in the negotiations recalled the part he played early in 1939 in obtaining the release of secret military aircraft for French and British purchasing missions. The crash of a Douglas attack bomber, built for the Army, with a French Army officer aboard, resulted in a Senate investigation.

**WAR STOCKS RELEASED**

Acting under 1917 statute, the administration has released Army and Navy airplanes, including naval dive bombers delivered within the last 6 months, to the British and French. Under special authority rushed through the Congress, the administration has released huge stocks of the Army's World War rifles, 75-millimeter guns, mortars, machine guns, and ammunition to the British and French.

**SCUTTILING OUR DEFENSES**

Mr. LUNDEEN. Mr. President, when members of our Naval Affairs Committee say that they know of no statutory law or authority for giving these powerful war vessels to foreign nations, nations that may some day turn the guns of these very ships against us, what can we say? Is this loyalty to America and to our country's best interests?

Shall we continue to permit this treason? Shall traitors to the flag that flies above us scuttle our defenses and give our last weapons—land, air, and sea—to the empires of the Old World?

**MANEUVERING BEHIND THE SCENES**

Our Senate Naval Affairs Committee state that they did not sanction the release of our ships. This treachery was apparently accomplished in secret. Other disloyal transactions may have been secretly carried through. How do we know? All this maneuvering behind the scenes certainly lays the foundation for a thorough investigation to the end that American taxpayers who paid for these war vessels may be protected from foreign-minded interventionists.

**ALTERATION OF BRIDGES OVER NAVIGABLE WATERS—VETO MESSAGE**

Mr. TRUMAN. Mr. President, I desire to make the announcement that the President's veto message on the bill (H. R. 9381) to provide for the alteration of certain bridges over navigable waters of the United States, for the apportionment of the cost of such alterations between the United States and the owners of such bridges, and for other purposes, was acted upon in the House of Representatives this afternoon and, upon reconsideration, the bill was passed and messaged to the Senate. At the most convenient opportunity I expect to call up the bill for action in the Senate.

**REVENUE BILL OF 1940**

The Senate resumed the consideration of the bill (H. R. 10039) to provide for the expenses of national preparedness by raising revenue and issuing bonds, to provide a method for paying for such bonds, and for other purposes.

Mr. GEORGE obtained the floor.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. BARKLEY. I wish to announce that it is the purpose to continue the session tonight in an effort to conclude action upon the tax bill. I make that announcement for the benefit of Senators who may wish to arrange their affairs accordingly.

Mr. GEORGE. Mr. President, I do not wish to delay the Senate at this late hour, and particularly upon this amendment, but inasmuch as an appeal has been made by the Senator from Wisconsin to adopt it now, without any real consideration of what the amendment is, except that it was one time in the law, I feel constrained to make a very brief statement about it.

Upon the question of an excess-profits tax, there will be little dispute in the Finance Committee, I apprehend, or in the Senate. There is, however, no reason to consider the excess-profits tax now because in any event we are coming back here in January, and the excess-profits-tax provision can be inserted in a tax bill which is necessary—not a matter of choice, but which is necessary and which can be made retroactive over identically the same period, and certainly the business of the country is on notice that an excess-profits tax will be adopted before the next taxable year begins to run.

Mr. President, I know very well that we have talked about passing a general or comprehensive tax bill in the future, but we face such a situation that an additional tax bill must be passed at the January session of the Congress. It is not a matter of choice. If it were a matter of choice, we might be disposed to agree and say that perhaps Congress could find some convenient reason for putting off to another time the consideration of the tax measure. But, as a matter of fact, we will be obliged to consider another tax measure, whether or not we remain in session, at least in early January; and identically this tax, if it be the viewpoint of the Congress that it should be imposed, may be made retroactive over the entire taxable year 1940, and identically the same sum of money collected, or some sum of money, if the Congress should be of the opinion that this particular tax is not wise.

As to the question whether we are to remain in session, of course I do not know what Congress may do, but personally I think the Congress should remain in session. I can only say to the Senator from Wisconsin [Mr. LA FOLLETTE] that, so far as my vote is concerned, I shall vote to stay here without recessing, except 3 days at a time, and

under a gentleman's agreement that during the convention periods we will not take up any important matters. I can see no reason why we should not stay here, and I think the country wants us to stay here. I believe it to be our duty to stay here, and, therefore, I am going to vote to stay here. If we do stay here, as soon as we can get the necessary data and consider some important questions involved in this type of tax, we should begin to write an additional tax bill and whip it into shape and pass it. If we do not do that, we must come back in January anyway, and we can make this tax retroactive over all of 1940 and certainly will be able to accomplish the same purpose.

Mr. President, it may be said that business would have some reason for saying in January that we should not make this tax retroactive, but that can hardly be so when the Ways and Means Committee, when it was considering this tax bill, agreed with the Treasury Department that the experts on the staff of the Joint Committee on Taxation and the staff in the Treasury Department would begin deliberation immediately on this particular question and would as soon as the necessary data could be gotten in hand make recommendations upon which could be based a sound tax measure.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. BARKLEY. The Joint Committee on Taxation, to which the Senator refers, is an agency of the Congress itself, charged with the duty of obtaining the necessary information upon which tax legislation can be enacted, and it seems to me we are bound to give full credence to their statement, as well as that of the Treasury, that they cannot under 30 days and probably even longer, obtain all the necessary information upon which Congress can enact a fair excess-profits tax.

Mr. LA FOLLETTE. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. LA FOLLETTE. I should like to remind the Senate that when the last tax bill was under consideration the senior Senator from Missouri [Mr. CLARK] prepared an amendment providing for taxation of income derived from tax-exempt securities. He intended to offer that to the bill. He was dissuaded from offering it to that bill on the assurance that there would be a general revision of taxes at the next session of Congress, and that full opportunity would be given for the consideration of that proposition. Furthermore, to my certain knowledge, it was announced—I think 2 years ago, if not last year—that the joint committee staff and the Treasury staff were instructed to go to work to prepare for a general revision of the tax structure; and yet we are now passing another makeshift tax bill, with amendments being pushed aside on the theory that the joint committee and the Treasury experts are once more to go to work.

Mr. GEORGE. Mr. President, the Senator from Wisconsin is assuming that the tax measure he offers is wholly free from difficulty, and that we have all the necessary information on which to act. I am trying to point out as best I can that, in my opinion, Congress will not adjourn at all, and I do not think it should; but if it should adjourn, we shall certainly have to return in January. The Treasury Department and the Ways and Means Committee of the House, in a rather formal way, have advised the country that the excess-profits tax would be considered, and that it would be within the power of the Congress, if it so willed, to make it retroactive over the present year, 1940.

I agree with the Senator from Wisconsin that on occasion we have not always found it convenient to do the thing we promised to do. I also agree with the Senator from Wisconsin upon the broad proposition that we must have an excess-profits tax. I have no doubt about it. I fear we may have some other kind of tax, even on top of the excess-profits tax. We may have a sales tax, though I have never voted for one. But I think it must be taken for the truth that we cannot rest upon the tax bill before us, in view of the fact that already we are increasing our national debt by \$5,000,000,000. Whatever may become of the war in Europe, whatever turn

it may take, we shall go forward with a defense program which will run our national debt even beyond the appropriations made at this session, so we must have additional taxes and we must of necessity consider this question along with the question of other sources of revenue when we proceed, either now or in January, to face that problem. It is not a theory.

Let me say to the Senator from Wisconsin that I have precisely the view he has; that is, that we ought not to have relied upon a tax program which would have produced a relatively small part of the revenue which the Government now so seriously needs, and we should have proceeded to a more general revision of the tax laws. I thoroughly agree with that position, especially in view of the Treasury recommendation that we simply take the additional excess taxes plus the 10-percent increase upon existing taxes, and raise some \$660,000,000.

The real necessity for the passage of the bill at a reasonably early hour is to authorize an increase in the national debt.

We might as well be clear politically. It would perhaps be impossible to increase the national debt without also raising some revenue. Members of the Senate entertain varying judgments upon that important question. Some do not believe in increasing the national debt. A great many do not believe in increasing the national debt without also making some attempt to raise additional revenue. The bill does raise a sizable amount of additional revenue. It is estimated to raise a little more than \$1,000,000,000, which, on top of our other taxes, is a very considerable increase in revenue.

We must consider the tax question again. We must live up to our agreements and pledges. We can consider the question of excess-profits taxes, at least in January, and, as I hope and think, before January, because I do not think we should adjourn.

We are not witnessing the accumulations of fortunes upon the scale of fortunes accumulated in the period from 1914 to 1919, and I do not think we shall do so. Already the war in Europe has narrowed to one belligerent upon one side and two active belligerents upon the other side. Already the vast population and the large Army of France are actually out of the fighting, or we must assume that they are practically out of the fighting. It undoubtedly is true that Great Britain had made all her plans for this war without drawing so strongly upon the resources of the United States. In other words, she had made her plans elsewhere to obtain wheat, tobacco, cotton, and all the raw materials for her manufacture and, in large part, to support her population. There may be, and undoubtedly there are, some industries in the country which will make increased profits; but by and large, American industry need not expect to enjoy the swollen fortunes which came about as a result of the last World War. Even before this Congress adjourns the war may have ended.

Of course no one can say as to that, and no one wishes to speculate about it; but I think it is reasonably certain—as certain as any man may feel justified in making the statement—that this country will not enter the war. Day by day the sentiment of the American people grows stronger against any possible involvement in the European war. So there will not be a tremendous war boom. Indeed, Mr. President, those in industry, and perhaps even in agriculture, who depend upon a war boom will be sadly disappointed. But assuming that they will not be, and assuming that we should levy an excess-profits tax even if there were no war, because we shall need additional revenue—assuming all that, and facing the facts as they are, there must be a revision of the tax laws, because we have too large a deficit in our ordinary expenditures, and we know that if we carry forward even the projected national-defense program, the expenditure on that account will be large.

Mr. President, let me call attention to the fact that the Senator from Wisconsin proposes the excess-profits tax which we had during the previous war period, as it was changed and modified through 1921. The measure imposed no taxes upon excess profits except profits earned by corporations. There may be excess profits earned in the war by individuals,

by copartnerships, or by associations. The basis of the tax in all prior acts, and in the amendment which the Senator has offered, is invested capital. A return of 8 percent is permitted upon invested capital, and there is an exemption of \$3,000.

Great Britain has an excess-profits tax, but it is not based upon invested capital. France has an excess-profits tax, but it is not based upon invested capital. Canada has an excess-profits tax. It is not based upon invested capital. Even Germany has an excess-profits tax, a very high one, and it is not based upon invested capital. There are many of us who honestly think that is the proper basis for an excess-profits tax.

Under the excess-profits tax of the war period, all kinds of complications arose. It did produce revenue, but vast sums of revenue produced by it had to be returned to the taxpayers. There are today pending suits growing out of that excess-profits tax, built upon the basis that we built it, involving more than \$13,000,000—suits for the recovery of that amount of money—and in all human probability many of those litigants will be successful. We might have litigation on any tax basis; but I am perfectly confident in my own mind that the Treasury is right when it says there are numerous questions that ought to be examined, and that it will require some 60 days, at least, to get all of the data and make all of the examination required to be able to submit to us an excess-profits tax that will cause us the least possible trouble.

Personally, I feel very strongly that the basis of the excess-profits tax should be simply this:

The tax should be levied upon profits which are above the average profits of the corporation, partnership, or individual in the same enterprise over 1, 2, or 3 years prior to the time the tax goes into effect. I think that is right, because I think we shall have to retain the excess-profits tax if the war ends immediately, because we shall need the revenue. I think there can be little doubt about it.

We cannot go on with a very large peacetime deficit, let us say, in order to distinguish it, and a constantly mounting cost of national defense which I think the country has resolved to have even though the war should end. If the war should end some of our ardor for national defense might cool off, but not all of it; and I feel sure the American people have reached the conclusion that it would be most unwise for us to neglect our national defense.

Sr. Mr. President, with the Treasury statement that it will be at least 60 days before there can be gathered the dependable data upon which they can proceed to write or suggest an excess-profits tax which will not lead to the complications of the wartime excess-profits tax, and with the certainty that in January, at least, we can impose the tax and make it retroactive over 1940, it would seem that we should acquiesce in and accept the judgment of the Treasury Department in this instance.

Let me call attention also to this fact:

Under the excess-profits tax offered by the Senator from Wisconsin and the excess-profits tax which we had during the war period it would be quite possible for a corporation to pay an excess-profits tax running as high during the war period as 80 percent when it was not making as much money as it made before the war. Take the case of any corporation with a relatively small invested capital which happens to earn a considerable sum of money, which happens to earn dividends for a few years, and after we levy the excess-profits tax upon the basis of invested capital allow a deduction only of 7 or 8 percent, or whatever percentage is agreed upon, on the invested capital as against the earnings, and it is quite possible to see that in many instances the corporation with a small invested capital is placed at a very great disadvantage.

It is perfectly fair, I think—although the committee might not agree with that view, and might accept the proposal offered by the Senator from Wisconsin—it seems to me to be perfectly fair to say that we shall impose an excess-profits tax on all profits in excess of the average earned by the

corporation during, say, the last 3 years prior to the time the excess-profits tax goes into effect.

I do not think it is necessary to go into various questions which have arisen and will arise again if we enact an excess-profits tax on the basis of invested capital. I call attention, however, to the fact that on the basis of invested capital the corporation cannot even have considered—that was the rule under the old acts—its fixed indebtedness, money borrowed upon its bonds, money which really went into the operations of the corporation, borrowed for that purpose; but it was limited to a narrow consideration of the capital invested, plus some other minor things.

I take it that when Canada, Great Britain, France, and even Germany—all of which countries have adopted the excess-profits tax—have abandoned, if indeed they ever had, the capital-invested theory as a basis upon which to impose these higher taxes, and have adopted a tax on the excess profits over and above the normal earnings over a fixed period, there is a substantial reason for that conclusion.

Mr. BROWN. Mr. President, would the Senator mind an interruption at that point?

The PRESIDING OFFICER. Does the Senator from Georgia yield to the Senator from Michigan?

Mr. GEORGE. I do.

Mr. BROWN. I understand that one of the most difficult questions coming before those who are in charge of the purchase of implements of war for a national-defense program is how much money should be allowed on contracts the Government makes for amortization of the costs of the new tooling equipment that will be required; for instance, in the case of airplane engines, whether it should be over a 2-year period, a 4-year period, or an 8-year period. I am sure that in the period between now and the 1st of January those in charge of that program will have an opportunity to advise the Treasury and the committees of Congress as to that problem, which is one of the most difficult ones to solve in connection with our national defense.

Mr. GEORGE. The Senator from Michigan is quite right. Not only is it one of the most difficult problems but it is one of the most important ones, because if we are relying upon private industry in this country to do the job of building the machines and furnishing the things necessary in our national defense they must, of course, be permitted to take amortization of their investment in additional plant facilities over a reasonable period of time. The amendment offered by the Senator from Wisconsin undertakes to do that, but on the basis of the amortization plan fixed in the old wartime act.

Now let me call attention to another fact, and it is a very important consideration: Not only are we not going to have tremendous war profits; the chances are that on the whole we may have tremendous war losses.

In the next place, let me call attention to the fact that now we are limiting the profits on the purchases under contracts made by our own Government. Let me show that under existing law the contractor who builds a vessel, or who works upon a ship, or an airplane, has a limitation fixed on his profits. I express the hope that before we are through this session those profits may be somewhat reduced, because I think they are somewhat excessive.

Mr. WALSH. Mr. President, I am very glad to hear the Senator say that. The committee has been laboring on that very proposition.

Mr. GEORGE. I believe the limitation of profits is 10 or 12 percent now, is it not?

Mr. WALSH. Yes. The statistics show that in the year 1938, when there were not many contracts, the companies which were building our ships and our airplanes made profits reported of between 14 and 24 percent. That was in 1938, the year for which the last figures are available.

First, I want to compliment the Senator for raising his voice, which means so much in this country, because of the confidence and the respect the people of the country have for him, in protesting against the possibility of our going into this world war. It is refreshing and comforting to hear that, in view of the statement of a former Secretary of State

last night, in which he was practically advocating our entrance into the war.

Would the Senator differentiate between profits on munitions and profits on general business or general earnings? I ask him that question for the reason that the Government is about to spend billions of dollars—not millions, but billions. The Navy Department now has on its desk contracts for building ships amounting to a billion dollars. I ask the Senator whether he does not think that, with the Government spending vast sums for defense, in preparation for war, and since we may have universal military training, and at the same time may be calling out our State militias from their workshops and their homes at a compensation of from \$12 to \$30 a month, and at the same time we are attempting to cut down salaries, and, if not cut them down, then eliminate or reduce the number of employees, whether we should not put some restrictions upon the profits made in the expenditure of the enormous sums of money which are being spent for munitions?

Mr. GEORGE. I thoroughly agree with the Senator.

Mr. WALSH. I thought the Senator would.

Mr. GEORGE. I not only agree with the Senator, but I think we must have an excess-profits tax upon the earnings of corporations.

Mr. TOBEY. Mr. President, will the Senator from Georgia yield?

Mr. GEORGE. I yield.

Mr. TOBEY. For the benefit of the Senator, I will say, with reference to the Vinson-Trammell bill, that this year three million and a half dollars already have been repaid into the Treasury of the United States, and one shipbuilding company in New England has this year set up a reserve of two million and a half dollars against excess profits to be returned to the Treasury.

Mr. WALSH. The profits I referred to are not entirely upon Government contracts. They are to concerns which have Government contracts, but the profits I refer to, namely, 14 to 24 percent, are on their entire business, which includes Government and private contracts.

Mr. GEORGE. I was merely pointing out that the present situation is that we now have limitations on what may be earned on contracts, and I am pleased to hear the distinguished chairman of the Committee on Naval Affairs say that he thinks those profits should be reduced.

Mr. WALSH. And we are seeking to reduce them, but meeting with vigorous opposition. I am sure we will find helping us the Senator from Georgia, when the bill is before the Senate, but we are having opposition from sources from which we did not expect it.

Mr. GEORGE. I appreciate that. Another thing to which I was about to call attention was that the excess-profits taxes during the World War were written on corporate income taxes, and the maximum tax was only 10 percent. Under the pending bill the rate upon corporate net income is actually 20.9 percent, more than double. So, with a tax of 20.9 percent upon corporate income, with limitations beyond the limitations which were imposed during the World War upon the profits made out of war industries, exclusively out of war contracts, and with the certainty that we must reconsider the tax question at the very latest by January 1, because no one can prevent consideration on and after that date, there would seem to be wisdom in allowing the committees of the Congress to consider thoroughly the proper basis of the excess-profits tax, not that anyone who looks at facts as they are can think for a moment that we could escape it, or try to escape it, or should have any desire to escape it, but that we must levy it, and must make it retroactive over the whole year 1940.

Let me say that there are many complications involved in the old tax which the distinguished Senator from Wisconsin has offered. If it were possible to do nothing else, I would gladly say yes, we must take it, but there are so many complications involved, so many difficulties involved, and in some instances so many injustices which may, upon a fair study and fair consideration, be ironed out, that I think at this time we should be willing to say to the Treasury Department, "If,

as you say to us, you will be able, when you have collected the full data, which will take you about 60 days, to give us the basis upon which we can study this question, then we will proceed to a consideration of the levying of additional taxes, specifically the levying of excess-profits taxes."

Mr. President, I have not undertaken to point out the difficulties which were involved in the old excess-profits tax which the Senator has offered here, but to point out only one or two of them.

As I take my seat, I wish to say that between the Senator from Wisconsin and myself there is absolutely no difference. It would not be fair to leave this tax bill as it stands without widening it out in more respects than one, making the wider distribution of the tax burden upon all of our taxpayers, and especially upon all those who are most able to bear the burden of the taxes. I fully agree with him. I agree specifically that the excess-profits tax should be levied to apply to all the business done in this country in 1940.

Perhaps my views would not prevail, and perhaps the Senator's views would not prevail altogether. But, in the counsel we can have in a committee here and on the other side of the Capitol, I feel sure we can work out a good tax program, so far as the excess-profits taxes are concerned.

I wish to say again that it may not, I think, be fairly anticipated that any extraordinary war boom, save in the war industries themselves, is likely to come to this country as a result of the war. With one of the Allied Powers already out, with the other fighting a defensive war, and only a defensive war, from necessity, with arrangements already made for the purchase of cotton and wheat, food supplies, and even tobacco, from countries other than the countries in the Western Hemisphere, it need not be anticipated that any great war boom can come to the general industries in the United States, and whatever does come will be confined very largely, so far as its direct effect upon the war industries themselves is concerned, upon the people who build the planes, the engines for the planes, the parts for the planes, the ships, and who provide the guns and the ammunition to be used in the guns, in our own national defense.

I do not think one need to look further than to the enormous losses which have occurred upon the American stock market since that day in April, I believe it was, when the German armies marched into Denmark, through Denmark and into Norway, and give reasonable consideration to that situation without knowing that we are not in for any great boom. We are in for a period of hardship. We are not in for a great boom because the war will not extend to the Western Hemisphere. We are not going into that war. The war will end where it now exists. Woe be unto any political party which will make the election of next November a referendum on the question of peace or war. We need not worry ourselves greatly about that.

I am in full accord and in full agreement with the Senator from Wisconsin. I should like to appeal to him to let us have the opportunity to get the data and make the study because I know he wants a tax program, so far as excess-profits taxes are concerned, that will produce the greatest amount of revenue and at the same time be fair to the taxpayers themselves and to the general business of the country. I do not think there is any doubt now that Congress will remain in session.

The PRESIDING OFFICER (Mr. CHANDLER in the chair). The question is on the amendment offered by the Senator from Wisconsin [Mr. LA FOLLETTE].

Mr. LA FOLLETTE. Mr. President, I wish to say a few words in reply to the statement made by the able Senator from Georgia [Mr. GEORGE]. I never claimed perfection for the amendment. I made the statement repeatedly in the present discussion that I recognize that it is a complex question, and that undoubtedly any excess-profits tax enacted now or next fall or next winter or a year from this summer, will have to be revised after it has been on the statute books, and we have had some experience under it. But, Mr. President, if the Treasury takes the position and furnishes the ammunition against any proposed tax on excess profits

merely because it thinks it has not yet had a chance to draft a perfect amendment, I will say that we will never have an excess-profits tax, for neither the Treasury experts nor the experts of the joint committee will ever be able to draw an excess-profits tax or any other kind of a tax amendment that will be perfect in character.

I am not proposing this as a temporary windfall tax. I am proposing it as a permanent part of our tax structure, and, for that reason, I believe invested capital is the only sound basis upon which the tax can be predicated.

It is true that the taxes in Great Britain and in Canada are predicated upon a base of average earnings over a period of years, but, as I understand it, those are temporary excess war profits taxes, and I am not offering such a proposal here.

I think that one of the greatest sources of difficulty under the 1918 and 1919 and 1921 statutes has been eliminated in this amendment by taking away from the Commissioner of Internal Revenue the alternative methods of arriving at invested capital and forcing him to come to a determination. It was due to those alternative provisions that much of the complicated litigation arose under the taxes of those years.

So far as I am concerned, I hope the amortization provisions which are to be written into an excess-profits tax, if and when we ever get around to it, will not be drawn to suit the armament manufacturers. I believe that the amortization provision contained in this amendment is generous and equitable. It even goes so far as to provide for a readjustment of the amortization if, in the discretion of the Commissioner of Internal Revenue, an unfair amortization schedule has been arrived at.

Mr. President, I realize that with the opposition of the Treasury and the opposition of the majority members of the Finance Committee to this amendment, I am swimming upstream; but I wish to say as emphatically as I know how that there is no excuse for passing this tax bill at all if it is intended to commence a general revision of the tax law this summer or early this fall. The testimony of the Secretary of the Treasury and of Mr. Bell before the Finance Committee demonstrates clearly that there will be no urgent necessity for increase in the debt limit before next January.

If we are to pass retroactive tax legislation next winter or next spring or next summer, then why impose these increased taxes upon the individual taxpayers? Why impose them on the corporations? They are not going to pay any of their money into the Treasury until next year. If we are to adopt retroactive taxation on excess profits, we can adopt retroactive taxation on individuals and on corporations.

If this amendment is not to be attached to the pending bill, the bill should be stripped of everything except increase in the excise taxes, which should go into effect on the 1st day of July, and we should go right to work on a comprehensive revision of the tax statutes. But, if that is not to be done, if we are going to anticipate these increases upon the individual taxpayer, then I say that my amendment should be attached to the bill.

If we tax everybody to the bone and fail to tax the excess profits of corporations, those who wish to go home and explain by saying "We will tax corporate excess profits at some later time, or at some other time" are at liberty to do so. I say that now is the time to enact this amendment and let it go upon the statute books. If it develops in practice that it is imperfect, there will be opportunity for amendment. Even when the gentlemen in the Treasury get through working upon their perfect amendment, and the committee and the Senate swallow it and put it on the statute books, if it stays there any length of time, imperfections will be found in their efforts, and amendments will have to be made to it.

Mr. President, we have had experience under this principle of taxation. It was on the statute books after consideration by the Ways and Means Committee and the Finance Committee of the 1917 session, the 1918 session, the 1919 session, and the 1921 session. I say that it is no answer for Senators

to rise here and say that this is a complicated question and that we will have to wait until the gentlemen from the Treasury Department have concluded their studies and rendered their Olympian opinions before we may act upon excess-profits legislation designed to spread more equitably the burden of this terrific tax that is being laid upon the people by making corporations pay in proportion to their ability to pay.

Mr. CLARK of Missouri. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. I yield.

Mr. CLARK of Missouri. Is it not a fact that in the years preceding the last World War, and during that war, a number of excess-profits taxes were considered and enacted, but that in each case it was found that the tax was several months behind the profit? In other words, at the end of the last war excess profits and incomes had been stepped up to a very great degree. Nevertheless, the tax was always several months behind the taxpayer. Tremendous profits always accumulated before the tax could be considered and go into effect. Therefore it seems to me that the only way in which we can possibly make effective the pronouncement in the President's message the other night, and his pledge that in this war no war millionaires will be created, which, so far as I know, met with the commendation of every American, is by putting into effect at the earliest possible date an excess-profits tax. If the excess-profits tax proposed by the Senator from Wisconsin turns out to be not a perfect one—which I dare say it is not—the Congress, if it is in session, can change it at any time. Certainly the Congress which meets in January can change it. In the meantime we shall have a stop-gap. We shall have an excess-profits tax which will run coincidental with the expenditure of the enormous appropriations we have been making. We have already made the appropriations. We did not say, "Wait until next January, when we come back here, and in the meantime we shall be enabled to work out more detailed plans for expenditure of the money."

We have appropriated the money. We have authorized its expenditure. We have already set in motion a train of circumstances likely to produce tremendous excess profits, but we are neglecting until a later time this session, or until the next session of the Congress, any legislation for catching the excess profits and keeping the whole burden from being borne by those least able to pay it.

Mr. LA FOLLETTE. Mr. President, I agree with the Senator from Missouri. It is a fact that the experience in war-time taxation clearly demonstrated that the Government was always behind in the enactment of legislation adequate to meet the tax situation.

I also wish to point out to the Senator that if this amendment is adopted and put on the statute books, corporations in this country will know something about what is to be required of them, whereas if the procedure recommended by the chairman of the committee, the Senator from Georgia, and the Treasury Department is followed the officers and stockholders of corporations will not know what to expect. I think all persons agree that uncertainty is undesirable.

Mr. GEORGE. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. I yield.

Mr. GEORGE. How would the corporations know in January what is to be required of them? The Senator proposes to make the tax retroactive to December 31. We can do the same thing any time up to March 15.

Mr. LA FOLLETTE. Of course we can; but if the tax is enacted now, corporations will know, for the period from July 1 to the end of this year, what is to be required of them, whereas under the procedure recommended by the Treasury and by Senators who oppose this amendment they may not know until the entire corporate year has ended what is to be required of them, and then a retroactive tax may be imposed.

Mr. WALSH. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. I yield.

Mr. WALSH. First, I wish to apologize for not being present to hear the preliminary statement of the Senator from Wisconsin. I was somewhat disturbed by the statement of the Senator from Georgia, to the effect that the present proposal is in excess of any proposal made for excess-profits taxes during the World War. I should like to have the Senator point out the basis upon which he drafted his amendment. I apologize for asking, because I presume he did so earlier.

Mr. LA FOLLETTE. My amendment allows corporations a return of 8 percent on invested capital plus \$3,000, in the form of an exemption, before the tax is applied. Then a 20-percent tax is imposed on all net income (in excess of the exemption) up to 20 percent of the invested capital. A 40-percent rate is applied on all income in excess of 20 percent of invested capital. It is true that the corporate tax in 1921, when these rates were in effect, was only about 10 percent, instead of about 21 percent, as in the bill now pending before the Senate. But, Mr. President, I think these rates are equitable, because, as the Senator will note, we have started out by allowing an 8-percent return upon invested capital.

Mr. WALSH. Was that provision in the 1921 act?

Mr. LA FOLLETTE. Such a provision was in the 1921 act; but the Senator knows very well that 8 percent is now a very liberal allowance for a return upon invested capital, in the light of present interest rates.

Mr. WALSH. I have personal knowledge of that from my own small and limited investments.

Mr. LA FOLLETTE. In view of the emergency that now confronts us, I do not think anyone can contend that these rates are onerous or excessive.

Mr. TYDINGS. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. I yield.

Mr. TYDINGS. I have tried to read the amendment. I am not very familiar with all the provisions of it. It is pretty hard to tell exactly what it does. Did I correctly understand the Senator to say that his amendment permits an 8-percent return before the excess tax which his amendment covers is levied?

Mr. LA FOLLETTE. Yes. It permits a return upon invested capital of 8 percent.

Mr. TYDINGS. Before the excess-profits tax he has now outlined—the 20 and 40 percent—is levied?

Mr. LA FOLLETTE. Plus \$3,000, which is provided as a flat exemption to take care of the smaller corporations.

Mr. TYDINGS. Let me see if I correctly understand the Senator. First of all, \$3,000 of the profits would be exempted; then 8-percent profit on invested capital, above the \$3,000, would be exempted, and then progressively his tax bill would begin to apply. Is that a correct general statement?

Mr. LA FOLLETTE. Above that point, up to 20 percent of invested capital, a 20-percent tax rate would apply; and a 40-percent rate on all net income for the taxable year in excess of 20 percent of the invested capital.

Mr. TYDINGS. So it would not only be possible to earn 8 percent, but one might make 10, 11, or 12 percent. Is that correct?

Mr. LA FOLLETTE. That is correct. I have placed in the RECORD a table showing the imposition of the tax upon selected corporations.

Mr. President, in conclusion I admit that this amendment is not perfect. I admit that it might be worked over for many months and improved. It is not my fault that the Finance Committee would not give it any consideration. I was not the one "blitzkrieging" the tax bill through the Finance Committee, and disposing of the bill with 2 hours and 20 minutes of consideration. I was not in favor of the program of excessive speed. I felt that in view of the fact that the tax bill will produce only \$225,000,000 of revenue by next January, and that none of the other taxes will go into effect before that time, we should strip the bill down to the increase in the excise taxes and go to work and do an adequate job upon this tax problem. But the majority of

the committee, or perhaps the entire committee, so far as I know, with the exception of myself, chose the other course. They are imposing these taxes upon incomes and upon excises. They are jacking up taxes by this bill. I say there is no defense for not reenacting into law an amendment which previously produced a great deal of money and worked reasonably well.

If inequities develop, if the perfectionists in the Treasury Department come forward with their Olympian plan, the tax can be modified and amended before the taxable year is concluded, if the Senator from Georgia is correct in his prediction that we are to continue working on the tax question during the summer and fall. Wise as I think the Senator from Georgia is in many respects, however, I do not share his confidence that we shall have any such result. In my opinion, we shall have the tragic repetition of what we have had before in these tax matters, and perhaps the whole year will go by before we again have any tax legislation considered by the Senate.

Mr. President, I ask for the yeas and nays upon this amendment, because I should like to see how Senators will go on record on this vital question.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Wisconsin [Mr. LA FOLLETTE]. On that question the yeas and nays are demanded. Is the request seconded?

The yeas and nays were ordered.

Mr. HARRISON. Mr. President, I do not know that I would have anything to say were it not for the fact that I feel some responsibility for having brought about castigation from the Senator from Wisconsin for having put some speed behind this legislation. I have no apologies to offer for it. I am glad we did it.

I am sorry to keep Senators here tonight; but we all know that one of the most beloved Members of this body is at the point of death. God knows we all hope and pray he will recover; but if he should pass away, and we should not hold this night session, and the bill should go over, there would be an adjournment of the Senate in memory of that Senator. Then later we should have to go back into the consideration of the bill with a great deal of argument and talk. Then the bill would go into conference, say, for a day, and then the question would come up of recessing next week to allow Senators on the other side who desire to do so to attend the Republican Convention. They are entitled to attend the convention. They did us the courtesy some time ago of permitting us to go to our convention, and I am in favor of their going to their convention. In the meanwhile it would be necessary to recess for a week, and this matter might be agreed on in conference, but the Senate would not be in session, and some of the taxes imposed in this bill would begin to operate on the 1st of July.

We ought to pass this bill before Saturday night in order to get the little pittance of revenue which some Senators say the bill will produce. I do not think it is a little pittance. I think the bill is a great job. Of course it is not perfect work; but we had to prepare the legislation in order to assure the taking care of our national defense.

The bill is not a perfect one, but it provides for the largest peacetime increase in taxes in the history of the country—\$1,007,000,000. People may laugh at it, they may scorn it, but it is a pretty good tax bill after all. So it ought to begin to operate as soon as possible, and that is why I have asked the leaders and other members to stay here tonight.

Mr. President, we should have been delighted if, in the short time accorded to us, we could have gotten together on an excess-profits tax; but, as has been stated by the Senator from Georgia [Mr. GEORGE], we were told that the experts of the Treasury did not under the circumstances have time to draft such a tax proposal. I believe in having work on proposed tax measures done by tax experts who know the job. I want to see such measures free from any loopholes. I want to see every possible improvement made on the old excess-profits tax. While I know that the Senator from Wisconsin thinks his handiwork should be adopted and is the best possi-

ble proposal, yet we may be able to improve on it. I do not think there is any doubt about it, for every Senator here knows that there ought to be an excess-profits tax at least on those who make unreasonable profits out of the manufacture of war materials; and I am ready to go beyond that. The Senator will sit in the conference; he will be a member of the conference committee; and everyone I know of wants to see a reasonable excess-profits bill. I think his amendment will be greatly improved on, and the tax proposal will be written by experts and passed on by them.

There is no reason why it should be January before this matter is taken up and acted upon. I thought for a while we were going to be able to adjourn by Saturday night. I can see now that there is no possibility of it. Probably we shall reach an agreement on a recess. As soon as the data are given to us by the experts, if some of us have any influence at all, we shall get together on this question and submit a proposal to the Congress and enact it into law.

I hope Congress will stay here. I do not have to go home. I am like my friend from Arizona [Mr. ASHURST]. I agree with him when he says he thinks his duty is here during this emergency. He and I feel alike about that question. Therefore, we are going to do this work just as quickly as we can. I feel sure almost everybody will be satisfied by the excess-profits tax which will be submitted and finally worked out. One of the first things the President suggested was to try to impose an excess-profits tax. We went to the Treasury officials, and the experts there said, "We cannot get it up and ready for consideration by the time the Republican Convention is to meet."

So that is the explanation. I see no reason why every Senator cannot vote against this amendment, because we are giving the assurance that we will bring an excess-profits tax proposal into Congress; we will have it before us, and will pass upon it, in my opinion, before January.

That is all I desire to say.

Mr. NORRIS. Mr. President, I feel embarrassed about trying to detain the Senate at this late hour, yet I cannot help giving expression to one or two thoughts which have come into my mind after listening to this debate.

It is admitted that this amendment is imperfect. It is also admitted by the chairman of the committee that the bill itself is imperfect. We all know that. We are not going to have a perfect bill. We ought to strive as nearly as possible to attain perfection. That may be the ideal. We shall never reach it, as every human being knows who has had any experience in life.

Mr. President, I realize, what I think is apparent to all of us, that many logical reasons can be given against a retroactive law of any kind. State constitutions, as a rule, provide that no such law shall be passed. I realize that that objection to some extent may be offered against this amendment; but the remedy which is offered is to wait until next year and then make the tax retroactive for the entire present year. That makes it worse than ever.

We know what we are going to encounter, and we know that honest men in business, owning corporations, are going to meet with hardships if they have to pay taxes over a back period. That is true. We cannot get away from it, and will have to meet that argument. It will be doubly important next January. At least for the remainder of this year corporations will be on notice, as they should be on notice, and it is fair that we give them all the notice possible, just as we do in the case of individuals.

Mr. President, we could do the same thing about income taxes in regard to making them retroactive. I submit to the Senate that if the argument for postponing the amendment, and adopting it next year, and making it retroactive, is good logic, we should strike out every income tax in the bill and say we will adopt it next year and make it retroactive:

Why are there any income taxes provided in the bill? Could we not just as well make them retroactive? We are not going to collect them this year, we are going to wait until next year to collect them; and if we are keeping out corporation taxes with the intention of making them retroactive

when we pass the contemplated bill next year, we can do the same with income taxes.

Mr. President, I commend the Senator from Mississippi on his expedition. I am not finding fault with him. I think he has done a good job, but it is not quite good enough. There is no reason why, as I see it, we should put this increased burden of taxes upon the individuals and not upon the corporations.

We have had a great deal of experience in investigating and in talking about and in legislating on excess-profits taxes. When the great World War was on there was started in the Senate a fight by an organization for the purpose of providing for an excess war-profits tax. We were laughed out of the Senate. All the amendments offered by different members of the organization were defeated. In a year or two, however, the Congress imposed an excess-profits tax, but the excess profits had been made and were beyond the jurisdiction of any law of the United States, and we did not get very much of a return from it. We have had it agitated ever since. Members of Congress are in favor of it, but they say, "Let us wait until tomorrow before we put it on. Impose it on the other fellows, but let the corporations go free."

Mr. President, at the present time we are reminded that it is the duty of every American citizen to be patriotic. We are advised that the people are willing to be burdened with greater taxation in order to meet the problems of today. Cannot the corporations be patriotic also? Shall the burden fall mainly upon those whose incomes are at least moderate, and must we permit the corporation to escape entirely from paying an excess-profits tax?

The excess-profits-tax provision, properly drawn, gives exemptions, as the pending amendment gives an exemption of 8 percent, plus \$3,000. That is an exemption which should satisfy any man, however greedy he may be to make money. Eight-percent profit, free from the excess-profits tax, should be enough to satisfy even the conscienceless corporation, as well as the individual.

Three thousand dollars to a small corporation, in addition to 8 percent, means a little exemption. So that they would always have 8-percent profit before the excess-profits tax would go into effect—8-percent profit on invested capital, plus \$3,000.

Mr. President, we should not delay a moment putting this amendment on the statute books. It is a just tax; it is a fair tax; it permits the corporation to make more money than the average individual or businessman in the United States can make upon any investment in any legitimate business at the present time. How would we feel if we had money invested, for instance, in United States bonds, drawing 2 percent or 3 percent, if we could get 8 percent before we paid any taxes? It seems to me it is liberal, and it is patriotic. We should, we must, tax our people until it hurts.

It is always hard to pay taxes. Every person desires to avoid the payment of taxes if he can do so legitimately, but we are now faced with such a condition that every patriotic American citizen knows he has to pay taxes, that it is patriotic to do it; that the taxes must be increased, and when we impose an excess-profits tax on a corporation which shall not begin to operate until the corporation makes 8 percent on its invested capital, we are exceedingly liberal. The corporation should thank God that it is not necessary to go further and to impose this tax on it after it has made 1 or 2 percent; but 8 percent escapes the excess-profits tax entirely.

Mr. President, I submit that under present financial conditions existing in this country this is an exceedingly liberal exemption. I see no reason why in passing the bill we should not impose this tax. The chairman of the committee stated that the bill itself was imperfect, and that is true. If we find some imperfection in it after it is in operation, we can correct it. Is not that true of every law Congress ever passes? Has anyone yet found an instance of perfection being reached? If we pass the bill now, we will find out its imperfections, if it has any, sooner than if we should wait until next January to pass it.

Mr. President, it seems to me it is the patriotic duty of Congress to put the pending amendment into the law.

Much has been said about hurrying this matter along because of the desire for adjournment of Congress. Most Senators have expressed themselves as being opposed to adjournment. They want to stay here. The patriotism of those who feel that Congress ought to adjourn has even been impugned by Senators on this floor. I know Senators do not mean to impugn my patriotism merely because I want to adjourn. Other Senators who think we ought to adjourn are just as patriotic as those who want to stay here during June, July, and August and sweat it out here.

Mr. President, when we shall have passed the pending bill, the appropriation bills, and the other bills that are necessary to be passed in order that defense preparations may proceed, I think we ought to adjourn. I believe a paramount reason why we should adjourn is that, in my opinion, it would have a tendency to keep us out of the war. Of course, no one wants to take a step which would lead us into the war. I do not believe there is a Senator who is in favor of our going to war. But if we stay here after we have done our work and keep on talking and talking, we may draw a picture which will only make the people of the United States hysterical and cause them for some reason or another to think that if Congress should adjourn we would go to war the next day. If we will stop talking, keep our feet on the ground, not get hysterical, and when we have finished our work, adjourn and go home, I think we will get along with less provocation toward involvement in the war.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Wisconsin [Mr. LA FOLLETTE].

Mr. BYRD. Mr. President, it is my purpose to vote for the amendment of the Senator from Wisconsin. I realize that the amendment may not be perfect, but I shall vote for it because of the total inadequacy of the pending bill to raise revenue. Earlier in the day I called the attention of the Senate to the fact that in the calendar year—in the next 6 months this revenue bill will provide only \$216,000,000 of new revenue. Yet we know that we are faced with very colossal expenditures for national defense.

Another reason why I shall vote for the amendment is because all effort to economize has been stricken from the bill. It was stricken by the motion made by the Democratic leader of the United States Senate. I say here and now that the Democratic Party must answer to the people of America for the failure to reduce expenditures, nonessential expenditures, nondefense expenditures, and divert this money to the essential purpose of national defense. The defeat of the economy amendment lost \$500,000,000 in savings and I feel compelled to vote for new taxes to this amount.

Mr. President, if we spend \$5,000,000,000 for national defense, and we certainly should not spend less than that in the coming 12 months, we will have a total expenditure of \$12,000,000,000. With this present bill the revenues will be only six and one-half billion dollars, and we shall have a deficit of five and one-half billion dollars, the largest peacetime deficit in the history of the American Nation.

I propose to vote for the amendment because I think that the revenue which will be produced by it is necessary to pay for the national defense, and secondly, I think it is necessary to make the people of America tax conscious, make them realize that these enormous expenditures and appropriations that are being authorized in Washington must some day be paid out of the pockets of the American people.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Wisconsin. The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. HILL (when Mr. BANKHEAD's name was called). I announce that my colleague is absent on public business.

Mr. CHANDLER (when his name was called). I have a pair on this vote with the Senator from Pennsylvania [Mr. DAVIS]. I transfer that pair to the Senator from North Caro-

lina [Mr. BAILEY]. I do not know how either of those Senators would vote if present. I vote "nay."

Mr. HOLMAN (when his name was called). I have a general pair with the junior Senator from Tennessee [Mr. STEWART]. I do not know how he would vote on this question. If at liberty to vote, I should vote "yea."

Mr. SHIPSTEAD (when his name was called). I have a general pair with the senior Senator from Virginia. I transfer that pair to the senior Senator from North Dakota [Mr. FRAZIER]. I am not informed how the senior Senator from Virginia would vote. However, I am informed that the senior Senator from North Dakota, if he were present and voting, would vote as I shall vote. I vote "yea."

Mr. THOMAS of Utah (when his name was called). I have a pair with the senior Senator from New Hampshire [Mr. BRIDGES]. I therefore withhold my vote.

The roll call was concluded.

Mr. MINTON. I announce that the Senator from North Carolina [Mr. BAILEY], the Senator from Mississippi [Mr. BILBO], the Senator from South Dakota [Mr. BULOW], the Senator from Arkansas [Mrs. CARAWAY], the Senator from New Mexico [Mr. CHAVEZ], the Senator from Idaho [Mr. CLARK], the Senator from Ohio [Mr. DONAHEY], the Senator from Virginia [Mr. GLASS], the Senator from West Virginia [Mr. HOLT], the Senator from Utah [Mr. KING], the Senator from Georgia [Mr. RUSSELL], the Senator from Illinois [Mr. SLATTERY], the Senator from Tennessee [Mr. STEWART], and the Senator from Indiana [Mr. VAN NUYS] are necessarily absent from the Senate.

Mr. AUSTIN. The Senator from Michigan [Mr. VANDENBERG], who would vote "yea," is paired on this question with the Senator from Illinois [Mr. SLATTERY], who, I am advised, would vote "nay."

The Senator from Pennsylvania [Mr. DAVIS] is absent because of illness in his family.

The Senator from New Jersey [Mr. BARBOUR] is absent on official duties.

The result was announced—yeas 41, nays 31, as follows:

YEAS—41			
Ashurst	Hughes	Minton	Thomas, Idaho
Bone	Johnson, Colo.	Murray	Thomas, Okla.
Byrd	La Follette	Neely	Truman
Capper	Lee	Norris	Tydings
Clark, Mo.	Lodge	Nye	Wagner
Downey	Lundeen	O'Mahoney	Walsh
Ellender	McCarran	Pepper	Wheeler
Gillette	McNary	Reed	Wiley
Green	Maloney	Schwartz	
Hatch	Mead	Schwellenbach	
Hill	Miller	Shipstead	
NAYS—31			
Adams	Connally	Hayden	Sheppard
Andrews	Danaher	Herring	Smathers
Austin	George	Lucas	Smith
Barkley	Gerry	McKellar	Taft
Brown	Guffey	Overton	Tobey
Burke	Gurney	Pittman	Townsend
Byrnes	Hale	Radcliffe	White
Chandler	Harrison	Reynolds	
NOT VOTING—24			
Bailey	Caraway	Gibson	Russell
Bankhead	Chavez	Glass	Slattery
Barbour	Clark, Idaho	Holman	Stewart
Bilbo	Davis	Holt	Thomas, Utah
Bridges	Donahey	Johnson, Calif.	Vandenberg
Bulow	Frazier	King	Van Nuys

So Mr. LA FOLLETTE's amendment was agreed to.

Mr. HOLT subsequently said: Mr. President, I was necessarily absent during the vote on the La Follette amendment. I ask that the RECORD show that, had I been present, I would have voted "yea" on the adoption of the amendment.

Mr. MCKELLAR. Mr. President, I offer an amendment, which I send to the desk and ask to have stated.

Mr. LEE. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. Mr. President—

The PRESIDING OFFICER. The Senator from Tennessee has the floor. To whom does he yield?

Mr. MCKELLAR. I yield to the Senator from Oklahoma.

Mr. LEE. The Senator may go ahead. I have been waiting all day for an opportunity to offer an amendment, and I understood that the Chair was about to recognize me.

The PRESIDING OFFICER. The Chair has no way of telling when Senators desire recognition unless they rise.

Mr. LA FOLLETTE. Mr. President, will the Senator from Tennessee yield to me to make a motion, which will take only a moment?

The PRESIDING OFFICER. The Senator from Tennessee has the floor. To whom does he yield?

Mr. MCKELLAR. I yield to the Senator from Wisconsin.

Mr. LA FOLLETTE. Mr. President, I move to reconsider the vote by which my amendment was agreed to.

Mr. GEORGE. Mr. President, does the Senator from Tennessee yield for that purpose?

Mr. MCKELLAR. I cannot yield for a motion. I shall be glad to yield for a question.

The PRESIDING OFFICER. The Senator from Tennessee has the floor and declines to yield.

Mr. MCKELLAR. Mr. President, I offer an amendment, which I send to the desk and ask to have stated. I wish to assure the Senate that I shall take less than 5 minutes to discuss the amendment.

The PRESIDING OFFICER. The amendment offered by the Senator from Tennessee will be stated.

The LEGISLATIVE CLERK. On page 25, after the word "Rate", it is proposed to insert the following:

*Provided*, That alcohol used exclusively for manufacturing drugs shall bear the present tax of 2.25, and such medicinal manufacturers using such alcohol shall make bond conditioned that no alcohol bought by them shall be used for beverage purposes; such bonds shall be made under such regulations and in such amounts as the Secretary of the Treasury may determine.

Mr. MCKELLAR. Mr. President, my reason for offering the amendment is that one of the principal ingredients in all patent medicines is alcohol. The rate on alcohol has been raised by the bill. I think there is a difference between beverage alcohol and medicinal alcohol. Alcohol is used in considerable quantities for patent medicines, and patent medicines are the poor man's doctor. Poor people use patent medicines. I myself use them. They are my principal doctor. I think everybody recognizes that there ought to be a difference between the tax on alcohol used for beverage purposes and the tax on alcohol used for medicinal purposes. I brought the matter before the committee, and the chairman of the committee advised me that the principal reason why my amendment was not adopted by the committee was that it is extremely difficult for the Department to keep track of medicinal alcohol. Under the terms of my amendment a bond is proposed to be given, which would guarantee that there would be no trouble about keeping track of the medicinal alcohol, no subterfuge concerning it.

I digress long enough to ask the Senator from Mississippi if he will not let the amendment be passed and take it to conference.

Mr. HARRISON. Mr. President, I think the purposes of the amendment appeal to everyone; but we were told by the Treasury Department that the cost of administering the law would be quite heavy, and that it would be almost impossible to administer it.

Mr. MCKELLAR. Mr. President, I am very sorry that the Senator cannot approve the amendment.

Mr. HARRISON. If no one else objects to it, I shall be glad to let it go to conference.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Tennessee. [Putting the question.] The Chair is in doubt.

On a division the amendment was rejected.

Mr. GEORGE. Mr. President, I give notice that tomorrow, or the next day we are in session, I shall move to reconsider the vote by which the Senate agreed to the amendment on the excess-profits tax offered by the Senator from Wisconsin.

The PRESIDING OFFICER. The motion will be entered. Mr. LEE obtained the floor.

Mr. LA FOLLETTE. Mr. President—

Mr. MCKELLAR. Mr. President, what was the result of the vote on my amendment?

The PRESIDING OFFICER. The amendment was rejected.

Mr. LA FOLLETTE. Mr. President, will the Senator from Oklahoma yield to me to make a motion?

Mr. GEORGE. Mr. President, if the Senator from Wisconsin wants to be that discourteous—a member of the committee who did not present his amendment to the committee and give it an opportunity to argue on it—very well; but I am saying that I give notice that I shall move to reconsider.

Mr. LEE. I cannot yield, Mr. President.

The PRESIDING OFFICER. The Senator from Oklahoma declines to yield.

Mr. GEORGE. The Senator from Wisconsin may take his choice.

The PRESIDING OFFICER. The Senator from Oklahoma declines to yield. The Senator from Oklahoma has the floor.

Mr. LEE. Mr. President, I should like to yield for that purpose; but under a strict parliamentary interpretation I might be taken off the floor, I suppose. Since this is a question which is controversial I am compelled to decline to yield, as much as I should like to do so.

Mr. President, I have two amendments which I wish to offer, and I shall make my discussion of them as brief as I can. I shall ask for a yea-and-nay vote on each of them. I send to the desk the first amendment and ask to have it stated.

The PRESIDING OFFICER. The amendment offered by the Senator from Oklahoma will be stated.

The legislative clerk proceeded to state the amendment.

Mr. LEE. Mr. President, I ask unanimous consent to dispense with the remainder of the reading.

Mr. LODGE. Mr. President, reserving the right to object, I think the Senate ought to know what the proposal is.

Mr. LEE. The Senate will know; and if, after I have finished my explanation, the Senator does not know, I shall be glad to ask to have the amendment stated. I made the request merely in the interest of saving time.

I ask that the amendment be printed in the RECORD at this point.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LEE'S amendment is, on page 8, between lines 15 and 16, to insert the following:

SEC. 3½. FEDERAL OBLIGATIONS—

(a) Section 22 (b) (4) of the Internal Revenue Code (relating to tax-free interest) is amended by striking out the last sentence and inserting in lieu thereof the following:

"In the case of obligations of the United States issued after September 1, 1917 (other than postal-savings certificates of deposit), and in the case of obligations of a corporation organized under Act of Congress, the interest shall be exempt—

"(1) Only if such obligations were issued or reissued prior to the date of enactment of the Revenue Act of 1940; and

"(2) Only if and to the extent provided in the respective Acts authorizing the issue thereof as amended and supplemented; and shall be excluded from gross income only if and to the extent it is wholly exempt from the taxes imposed by this chapter."

(b) Section 25 (a) (1) of the Internal Revenue Code (relating to interest on United States obligations) is amended by inserting after the words "United States" the words "issued or reissued prior to the enactment of the Revenue Act of 1940"

(c) Section 25 (a) (2) of the Internal Revenue Code (relating to interest on obligations of instrumentalities of the United States) is amended by inserting after the words "normal tax" a semicolon and the following: "and (D) such obligations were issued or reissued prior to date of enactment of the Revenue Act of 1940."

Mr. LEE. Mr. President, this amendment, which the late Senator Borah offered several times and which the Senate adopted at one time, proposes to make illegal the issuance hereafter of tax-exempt securities. The Senate adopted that amendment at one time and the President has asked us for legislation on the subject. On April 25, 1938, the President sent to Congress a message asking us to put an end to tax-exempt securities; and in the hearings on June 12, 13, and 14 of this year the Secretary of the Treasury, Mr. Morgenthau, said:

The Treasury is in favor of a repeal of those statutes granting exemption of interest on future public-securities issues, Federal, State, municipal, and local, including the obligations to be issued under this act.

Mr. President, I realize that this tax bill has been brought in under pressure, as has every other tax bill since I have been a Member of the Senate. We are given the "rush act" every time a tax bill is brought forward for consideration. To refresh our memories, let me say that the chairman of the committee a while ago made a speech which is essentially the same speech that the genial Senator from Mississippi has made for each tax bill, urging us to wait.

To refresh our memories, I wish to read the same request that was made on two preceding occasions.

On April 9, 1938, the following debate occurred:

Mr. HARRISON. Mr. President, would not the Senator from Idaho be satisfied if his amendment and the amendments suggested by the Senator from Missouri were all referred to the committee? We can give the Senators every assurance that the matter will be taken up by the committee. I am in sympathy with the proposal; but if this amendment should be incorporated in the law, we should have to change almost all the features of this bill. The provision relates to gross income and adjusted net income and the interest rates on Liberty bonds.

Mr. BORAH. The amendment which I have offered would not affect those things. It merely provides that all future issues of bonds or securities by the Federal Government shall be subject to taxation, after a certain date, in the future.

Mr. HARRISON. Would not the Senator be satisfied if this matter did not go into the bill at this time, and would he not be content to let the Finance Committee try to work out something on it?

Mr. BORAH. Would not the Senator from Mississippi be satisfied to take it to conference?

Mr. HARRISON. The experts tell me that it is going to be very troublesome.

Mr. BORAH. Mr. President, the amendment was drawn by one of the experts.

Mr. HARRISON. I understand that.

Mr. HARRISON. What we want to do is to get the bill through today, so if the Senator insists, and does not accept the suggestion I have made, I suppose there is nothing else to do but vote on the amendment.

Mr. HARRISON. Mr. President, I desired to point out to the Senator what we were up against. He will notice throughout the bill that in the provisions for taxes on corporations everything is based on the adjusted net income, which means the income less the interest paid on Liberty bonds, intercompany dividends, and so on. The bill was written in that way. If the amendment should be adopted, we would have to go back through the bill and make numberless changes. That is what the parliamentary experts tell me. So it seems to me it would present a very complicated situation if it should be adopted.

Mr. BORAH. Mr. President, it must be understood that this amendment does not deal with anything except future issues.

Mr. HARRISON. I understand that.

Mr. HARRISON. Mr. President, I will say to the Senator from Idaho that this is a very important matter. The bill is now in good shape, I think, and if the Senator's proposal were involved in it, it would make it complicated. The Senator knows that in a conference, where we are trying to expedite consideration of a measure, the proposal might not receive the consideration which it deserves.

I will say to the Senator from Idaho that a subcommittee and I will consult with the Senator to the membership of the Finance Committee that he desires to be on the subcommittee—will begin work on this plan immediately, and will study the Senator's plan, and the plan with reference to the States and the municipalities, and, so far as the Finance Committee is concerned, we will not let up on it. I wish we could "excommunicate" the Senator's proposal from the bill.

Mr. HARRISON. Mr. President, if that is the desire of Senators I hope the Senators will stay here with us until we can vote on these proposals tonight.

And the amendment was agreed to by a vote of 34 to 33. That was in 1938.

In 1939, last year, some Senators will recall that I offered the proposal; and after the colloquy, which I shall read, I was persuaded by the same persuasive argument to withdraw it.

Mr. HARRISON. Mr. President, before the Senator concludes, I wish to express the hope that the Senator will not insist on his amendment. I wish to state what the facts are. During the last session the Senate appointed a special committee to study the question referred to, because it is a very complicated one. The committee was appointed to study the question of taxing future issues of Federal, State, and local securities. There is no question, of course, that Congress has the right to tax the interest on Federal issues. However, many questions are involved. Therefore, the special committee, of which the Senator from Michigan

[Mr. Brown] is chairman, proceeded to make a study of the question. The committee did some very valuable work and is now ready to make its report.

Of course, the proposal for such reciprocal taxation must begin in the House. The Senate Committee on Finance is ready to consider the question now.

The Senator from Oklahoma will recall that previously, when the question of reciprocal taxation of State and Federal employees was considered, the Senator from Missouri offered an amendment dealing with the taxation of securities. Assurance was given the Senator that the House would take the matter up and consider it.

The chairman of the Committee on Ways and Means [Mr. Doughton] has just informed me that the committee has been working on the social security measure, as the Senator knows, for some 2 months, and also on the tax bill which is now before us. Therefore, the committee has been unable to get to a study of the tax-exempt securities matter until now. The committee will begin work next Wednesday. I do not know how rapidly they will proceed. I cannot speak for the Ways and Means Committee. However, it will not be long before we shall have the question before us. In view of that I hope the Senator will not at this time insist on his amendment to the pending bill, because the House Ways and Means Committee has not yet given the question any consideration. As I said, they will begin considering it next Wednesday.

Mr. LEE. Mr. President, does the Senator think we may have it up this session?

Mr. HARRISON. I hope so, but I do not know. The Senate cannot start action on the measure because such action must originate in the House of Representatives. Of course, the Senator is in order in offering the amendment on the pending revenue bill.

Mr. LEE. Of course, the reason for offering it at this time is because such an amendment is limited to tax measures as they come up. Can the Senator give me any assurance of consideration in his committee if such a measure does come over from the House during the present session?

Mr. HARRISON. The committee of which I have the honor of being chairman tries to give expeditious consideration to all matters that come over to us, and I can assure him that if the bill comes over here, the Committee on Finance will begin the study of the question immediately.

Mr. LEE. I will say that if the Senator considers it with the speed that he did the pending tax measure, it will be entirely satisfactory.

Mr. HARRISON. We will give expeditious consideration to the matter.

Mr. MALONEY. Mr. President—

Mr. HARRISON. I may say to the Senator from Connecticut as well as the Senator from Oklahoma that here is a great and important committee of the House of Representatives as the Senator knows because he has been a Member of the House. The bill goes to that committee. The question will be referred, if need be, to the conference committee, on which there will probably be five members from the Ways and Means Committee. They would naturally want their full committee to study the question. That will hold up the bill. No question of constitutionality is involved. Many people agree that Congress has the right to tax future Federal securities. Yet they think it is unfair to the Federal Government for the States to continue to issue bonds which are tax free, while the Federal Government puts additional burdens of taxes on them. So there are many and varied ideas with respect to this question. I do not know who is correct about the matter, but we are bound to get this question before us for consideration in the not greatly distant future.

Mr. President, I believe I am logical in my contention that the amendment ought not to be placed on the pending bill.

Mr. CLARK of Missouri. Mr. President, will the Senator yield?

Mr. LEE. I yield.

Mr. CLARK of Missouri. The Senator will recall that when that colloquy took place on the floor of the Senate, comparatively early in the last session of the Congress, on the representations of the Ways and Means Committee, made by the chairman to some of the most prominent Members, I was induced to withhold offering my amendment, after I had given notice that I intended to offer it. So far as I know, that is the last that has been heard of that subject from that day to this.

Mr. LEE. Mr. President, I thank the Senator for corroborating my statement.

Later in the debate the following occurred:

Mr. BROWN. In the first place, I do not wish to take offense at the statement of the majority leader that our committee is a subcommittee of the Finance Committee. We are a special committee of the United States Senate.

Mr. BROWN. \* \* \* I will say to the Senator from Oklahoma [Mr. Lee] that under ordinary conditions I should favor his amendment. I do not understand just what his amendment provides; but, generally, I understand that it prevents a further issue of tax-

exempt bonds by the Federal Government, and applies a tax upon future issues of State and municipal bonds.

Mr. LEE. No; it does not do that.

Mr. BROWN. I agree with the general purpose. I should be pleased if I thought we could now write such an amendment into the tax law of the United States. However, as I view the situation today, the 22d day of June, I am satisfied that we cannot write it into the pending bill. I know that there are Senators present who are so strongly opposed to the measure and its consideration under these circumstances that they not only could but would act in a way that would prevent consideration of the amendment at the present time if they thought it was to be written into the law.

I will say to the Senator from Oklahoma that I intend to do my part to write into the law this amendment, or the substance of this amendment, so that it will become effective upon the income taxes which are to be paid in March 1940. However, I am satisfied that the conferees from the Ways and Means Committee of the House of Representatives would not permit the amendment to be added to the pending bill so as to become law on the 1st day of July of this year. So I think the Senator's effort is futile and would not produce the result which he desires to achieve.

Mr. LEE. Does the Senator's contemplation of the proposal preventing tax exemption include State and local tax-exempt securities?

Mr. BROWN. Speaking for myself, I would first prevent the further issue of tax-exempt bonds by the Federal Government. There is no question that we can do that constitutionally. Secondly, by the same reciprocal method we used in applying the income tax to State salaries, I would provide that the States might tax the income from Federal securities, and that the Federal Government might apply its income tax to future issues of State and municipal bonds. That is the proposal which I favor.

Mr. President, of course I did not read these things with any intention except to show that each year we have the same situation. We have a tax under a "rush act," we are given the "rush act" with respect to amendments, and we are given the same assurances, that soon another tax bill will be before the Senate, and that we will have an opportunity at that time to offer the amendments.

No one could do this better than the genial chairman of the Committee on Finance, who is a very kind and pleasant gentleman, and I may add, most effective in slipping a tax bill right on through without amendment. I say in fairness that a great responsibility rests on him. There are many amendments, it is true; but after the President of the United States has asked the Congress for a bill to stop the further issuance of tax-exempt securities, after the Secretary of the Treasury has come out in favor of legislation which would stop the further issuance of tax-exempt securities, after this body has already passed on it by a majority vote, after the people passed the sixteenth amendment, which amendment provided that Congress should have the power to tax a man's income from whatever source derived, showing that the people wanted us to tax income which is escaping, I think it is appropriate that we should attach this amendment to the pending tax bill.

Mr. President, tax exemption is special privilege to a special class. It is not a privilege to the poor man, because he does not own any bonds. It is a special privilege to the rich, and I think it should be stopped. Now, when we are broadening the tax base, at the time when we are reaching down into the lower brackets and requiring the payment of taxes on incomes down to \$800, I think we certainly should tap this great reservoir of wealth in this country.

Fifty-five billion dollars of wealth is now hidden in the storm cellar of tax-exempt securities, and we cannot touch it. Yet our country faces such a crisis that we find it necessary to go down into the lower-bracket incomes and tax the man with an income of no more than \$800. No doubt we will soon hear the argument, "Not at this time; next time we are going to take that up. We are considering it. We are going to wait until we get it 100 percent perfect." I believe we should go ahead and act on it now.

Mr. President, when I presented this matter on one other occasion, I made a few remarks which are just as appropriate now, and I wish to refer to a few paragraphs of what I said at that time. On May 2, 1939, in a speech on the floor of the Senate, I stated:

If a person has an income from renting a building, practicing law, teaching school, running a store, or working in a shop, or any other occupation, he must pay income taxes both to the State and Federal Governments, but if he has an income derived from the interest on tax-exempt Government bonds, he is excused from paying taxes on

that income, yet there are those who favor the continuation of this tax-exemption privilege.

If a married storekeeper living in Oklahoma has an income of \$5,000, he must pay income taxes amounting to \$146.22, but if his neighbor has an income of \$5,000 from the interest on tax-exempt bonds, he is excused from paying any income taxes whatever on that income.

Then, again, if a married man living in Oklahoma, after paying property taxes and paving taxes, has an income of \$10,000 derived from renting his own property, he must pay income taxes amounting to \$737.85; but if his neighbor has an income of \$10,000 derived from the interest on tax-exempt bonds, he is excused from paying any income taxes whatever on that income.

Then, again, if a married man living in Oklahoma has an income of \$50,000 derived from the oil business, he would be required to pay income taxes amounting to \$11,132.41; whereas if his neighbor has an income of \$50,000 derived from tax-exempt Government bonds, he would be excused from paying any income taxes whatever on that income.

Then, again, if a poor farmer does not make enough to pay his property taxes, his farm is sold from under him; but if a rich man has an income of \$1,000,000 derived from tax-exempt bonds, he is not required to pay one thin dime of taxes on that income.

Such favoritism is not only unfair and unjust but it is economically unsound.

The Government is losing millions in revenue because of these tax exemptions. By taxing incomes which are now exempt, the Government will gain much more in revenues than it will lose on account of increased costs, but, of course, those who favor tax exemption argue that if you do not exempt the bonds from taxation you must pay higher interest rates in order to sell them, and that this increased cost offsets the gain in revenue.

But that is not true, because only those with large incomes are able to purchase bonds, and these large incomes are subject to heavy surtaxes which would return much more in revenues than the additional interest would cost. Mr. Hanes, Assistant Secretary of the Treasury, reports that it would not be necessary to increase the interest rate more than one-half of 1 percent at the most, and perhaps as low as one-fourth of 1 percent.

Therefore, I repeat, the Government loses much more in revenue than it gains in lower interest rates.

Of course, the savings in revenue would differ according to the tax laws of the different States and also according to the amount of the income of the purchaser, but let us take a specific example.

Suppose a school district in Oklahoma issues \$1,000,000 worth of bonds bearing 3 percent interest, and suppose the entire issue is purchased by a man having an income of \$500,000. If the bonds are tax exempt, the Government loses each year in income taxes \$21,197.77; whereas if the bonds were taxable the increased cost in interest charges would average only \$3,750 a year, according to the estimates of the Treasury Department. The difference between \$21,197.77, which would be the loss in revenue if the bonds were tax exempt, and \$3,750, which would be the increased cost if the bonds were not tax exempt, is \$17,447.77.

In other words, the net loss in revenue on that \$1,000,000 issue of tax-exempt bonds is \$17,447.77 each year. Then suppose these bonds were issued for 20 years. The total amount of net loss in revenue on that \$1,000,000 issue of tax-exempt bonds would be \$348,955.40.

For that amount many school bells could be kept ringing, and remember that figure represents the savings on only \$1,000,000 worth of tax-exempt bonds, whereas altogether there are \$50,000,000 worth of tax-exempt bonds in the United States today.

Mr. President, I said a while ago, tax exemption is a special privilege to a special class. If a man with an income of \$500,000 purchases a bond, the tax-exemption privilege is worth 7 percent interest to him, whereas the tax-exempt privilege to a man with an income of \$5,000 is worth only two-tenths of 1 percent to him. Consequently it is a special privilege to the few.

Mr. President, I ask for the yeas and nays on this amendment.

Mr. BROWN. Mr. President, I understand that the Senator from Oklahoma has discussed only the first of the two amendments he has proposed.

Mr. LEE. Yes.

Mr. BROWN. I understand he will discuss the other amendment later?

Mr. LEE. I shall only explain the other one.

Mr. BROWN. Mr. President, I wish to say that I do not blame the Senator from Oklahoma at all for feeling somewhat put out, as he indicates he is, by reason of the lack of action upon this issue. As the Senator knows, it takes the concurrent action of the House and the Senate to pass a measure providing for taxation of bonds. The Senate has at least twice, and possibly even more often than that, passed some sort of measure taxing the interest on Federal bonds. None of those actions resulted in getting such a law upon the statute books.

Mr. LEE. Mr. President, will the Senator yield?

Mr. BROWN. I yield.

Mr. LEE. The Senate reversed its own action the last time we passed such legislation. A Senator who had supported it moved to reconsider the vote by which the measure was passed, and under the influence of the chairman of the Finance Committee, whose influence is very strong in that regard, the Senate was persuaded to put the measure aside until the next year. That was last year. Last year we were persuaded to put the measure aside to another year, and that is this year, and now we are no doubt going to be persuaded to put it aside again.

Mr. BROWN. I only know that the Senator is interested in enacting a law that will cover this situation. I have certainly that same interest. I, of course, have no certain knowledge of what the Ways and Means Committee would do if we should adopt the Senator's amendment and put it on the bill and if the matter went to conference. Of course, in order to keep the Record straight, the Senator well knows that the Ways and Means Committee and the House of Representatives did not pass upon legislation of this character in the pending House bill that is before us.

From a practical standpoint I do not think it is possible to enact this legislation by adopting the amendment proposed by the Senator from Oklahoma, but I think there is a more fundamental objection to the amendment which the Senator proposes. There is no question that the President of the United States, the Treasury Department and, I believe I am safe in saying, a majority of the Members of the Senate, are desirous of enacting legislation which will adequately cover the matter of tax-exempt bonds. Unqualifiedly I believe that we should enact such a law. But I think the Senate would be doing a disservice to the cause which I firmly believe it desires to further, by adopting this particular amendment.

As the Senator will readily admit, I think, his amendment relates solely to Federal bonds. The Senator from Idaho, who was taken from us early in this session, was always in favor of taxing the interest on Federal bonds. He was strongly opposed to the Federal Government taxing the interest on State and municipal bonds. He always drew that line of distinction. He would not have favored a proposal to lay a Federal tax on such bonds, first, because he did not believe it was right to do so, and second, because he did not believe it could be done constitutionally. As the Senator from Oklahoma says, there has never been any doubt about the constitutional power of the United States to tax Federal bonds. The question has always been whether or not we could constitutionally tax State bonds. I will say to the Senator from Oklahoma that I am satisfied, after a somewhat extensive investigation into this question, that the Federal Government can constitutionally tax the interest on State bonds.

I think the constitutionality of any law we might pass would be aided by the use of the reciprocal plan, that is, taxation of Federal bonds by State authorities, and taxation of State bonds by Federal authorities. But the Senator leaves out of his amendment any reference to State securities. He does not provide for a tax upon State securities.

For the reasons I have stated, I think that we ought to do the whole job at once; that is, pass a reciprocal-tax law. On this subject, the Senator knows that the Supreme Court of the United States has approved that type of legislation. It was the opinion of the Attorney General and of the General Counsel of the Bureau of Internal Revenue that the reciprocal plan would aid the constitutionality of the bill.

Mr. LEE. Mr. President, will the Senator yield?

Mr. BROWN. I yield.

Mr. LEE. Of course, the adoption of this amendment would not preclude the passage of a reciprocal law. The effect of the pending amendment would simply be to prevent the Federal Government itself from issuing securities under a contract with the purchaser that it would not tax them. That would not in any way hinder the passage of such a law as the Senator refers to. In my opinion, that is the first step we should take toward stopping the tax-exempt

privilege. We are facing a time when it will be necessary for the Treasury Department to borrow a great amount of money. There will be a tremendous temptation for the Treasury Department to issue tax-exempt bonds. In spite of the Secretary's statement that he proposes not to issue any more tax-exempt bonds, when he faces the situation and wants the bonds purchased, he will be under a tremendous temptation to issue tax-exempt bonds again. But if we should adopt this amendment it would make it illegal for him to make such a contract with a purchaser.

Mr. BROWN. My point is—and it is contrary to what the Senator said in the earlier part of the last statement he made—that it would be easier to get a bill through the Senate which taxes both State bonds and Federal bonds than to pass such legislation piecemeal. I have no doubt that many Senators who are quite strongly insistent upon the principle of State's rights would readily vote for a proposal to tax Federal bonds, and we could probably pass that kind of a law today; but when we came to the matter of passing a law which taxes State bonds, we should be met with strong opposition from Senators who entertain such views.

Mr. LEE. Mr. President, will the Senator yield?

Mr. BROWN. I yield.

Mr. LEE. The Senator does not argue that it is now necessary to pass any law to tax Federal bonds, does he? If the Federal bond does not contain a contract with the purchaser which forbids taxation, no such law is necessary.

Mr. BROWN. The Senator refers to State bonds, does he not?

Mr. LEE. No; I mean Federal bonds. The Government issues some bonds which are subject to certain taxes.

Mr. BROWN. That is correct.

Mr. LEE. If the taxation is not precluded by contract with the purchaser, the Federal Government may tax them now.

Mr. BROWN. The Federal Government does tax a great many Federal bonds to a certain extent at the present time.

Mr. LEE. To a certain extent. That is true. The point I was making is that there is no need for a law to give the Government the right to tax its own bonds. The only law we need is a law to make it illegal for the Government to make a contract with the purchaser that it will not tax them.

Mr. BROWN. I think the Senator is correct in that respect; but that does not overcome my proposition, that it would be easier to obtain a complete law which would prevent the issue of all tax-exempt bonds by the Federal Government, by State governments, or by municipal governments, than to do so by piecemeal legislation.

I wish to call the attention of the Senator to the fact that as to the \$4,000,000,000 of securities which may be issued by the Treasury Department to finance national defense—the authorization which is contained in the pending bill—the Secretary has plainly stated that he will not issue tax-exempt notes. Let me read what the Secretary said:

On these new securities, if I have the discretion, I want to make them fully taxable. \* \* \* To make this thing fair all around I don't think we should increase the taxes \$1,000,000,000, and then give the people who lend the money a special privilege through tax exemption.

The Secretary said in another place:

I want to indicate clearly the Treasury's position with respect to repeal of tax exemption affecting interest on all public securities. I am opposed to any action modifying contractual obligations exempting from taxation interest on outstanding Federal securities.

The Senator does not propose to interfere with that situation by his amendment.

The Treasury is in favor of a repeal of those statutes granting exemption of interest on all future public-security issues, Federal, State, municipal, and local, including the obligations to be issued under this act. However, if the tax exemption affecting future State, municipal, and local issues is not repealed at this time, the Treasury wishes to reserve the discretion it now enjoys under the Second Liberty Bond Act, and it will make the interest on the notes to be issued under this act subject to Federal taxes.

I take that, along with the other statement which I read, as a plain indication on the part of Secretary Morgenthau, who will handle this issue, that he will not issue any more

tax-exempt securities to take care of this particular \$4,000,-000,000 of financing. So I think the result which the Senator seeks is already achieved. The present administration is against the use of tax-exempt bonds; but I am fearful, as I said before, that there are several Senators whose votes we sorely need, and that we shall lose them if we place before them the single and sole issue of the right of the Federal Government to tax State and municipal securities. I wish to put that question before the Senate in one bill, and not in several bills.

I wish to say to the Senator again that I am further satisfied that the Ways and Means Committee of the House of Representatives—and the Senator and I have both been Members of the House of Representatives—is very jealous of its prerogatives.

Heretofore they have at least twice, and I think more often than that, refused to accept an amendment of this kind on a tax bill. I think it is utterly futile for us to put it on a bill which the Senator from Mississippi tells us it is hoped will be passed by Saturday night.

I shall not again ask the Senator from Oklahoma to withdraw his amendment. I do not think I would have any success if I made such a request; but I say to the Senate, and particularly to those who desire this type of legislation, that if we want a good bill prohibiting the further issuance of tax-exempt bonds we should do it at a time when we can cover the entire problem; that is, the issue of Federal tax-exempts and the issue of State and municipal tax-exempts. If we are to do the job thoroughly, we must do it at one and the same time.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Oklahoma [Mr. LEE].

Mr. LEE. I ask for the yeas and nays on the amendment. I hope the Senate will give me a vote on the amendment. The yeas and nays were not ordered.

Mr. LEE. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll. The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Donahay	Lodge	Schwellenbach
Andrews	Downey	Lucas	Sheppard
Ashurst	Ellender	Lundeen	Shipstead
Austin	George	McCarran	Slattery
Bailey	Gerry	McKellar	Smathers
Bankhead	Gillette	McNary	Smith
Barkley	Green	Maloney	Taft
Bilbo	Guffey	Mead	Thomas, Idaho
Bone	Gurney	Miller	Thomas, Okla.
Bridges	Hale	Minton	Thomas, Utah
Brown	Harrison	Murray	Tobey
Bulow	Hatch	Neely	Townsend
Burke	Hayden	Norris	Truman
Byrd	Herring	Nye	Tydings
Byrnes	Hill	O'Mahoney	Vandenberg
Capper	Holman	Overton	Van Nuys
Caraway	Holt	Pepper	Wagner
Chandler	Hughes	Pittman	Walsh
Chavez	Johnson, Calif.	Radcliffe	Wheeler
Clark, Idaho	Johnson, Colo.	Reed	White
Clark, Mo.	King	Reynolds	Wiley
Connally	La Follette	Russell	
Danaher	Lee	Schwartz	

The PRESIDING OFFICER. Ninety Senators have answered to their names. A quorum is present.

Mr. LEE. Mr. President, I desire to have a ye and nay vote on this amendment which proposes to prevent the further issuance of tax-exempt bonds.

The PRESIDING OFFICER. The yeas and nays are requested. Is the request seconded?

The yeas and nays were not ordered.

The amendment was rejected.

Mr. LEE. Mr. President, I send to the desk another amendment which I ask to have stated.

The PRESIDING OFFICER. The amendment offered by the Senator from Oklahoma will be stated.

The CHIEF CLERK. On page 1, between lines 6 and 7, it is proposed to insert the following:

(a) Section 12 (a) of the Internal Revenue Code is amended to read as follows:

"(a) Definition of 'Surtax net income': As used in this section the term 'surtax net income' means the amount by which the net income together with exclusions from gross income under section 22 (b) (4) exceeds the credits against net income provided in section 25 (b)."

On page 1, line 7, before the word "section", it is proposed to insert "(b)."

On page 6, between lines 5 and 6, it is proposed to insert the following:

(c) The Internal Revenue Code is amended by inserting therein, immediately after section 33, a new section to read as follows:

"Sec. 34. In the case of an individual, there shall be allowed as a credit against the tax an amount equal to the surtax on a surtax net income equal to \$4,000 plus the exclusions from gross income under section 22 (b) (4); but the credit shall not exceed the portion of the tax attributable to section 12."

Mr. LEE. Mr. President, this amendment provides for adding the tax-exempt income to the taxable income for the purpose of determining the rate which would be applicable only to the taxable income. In other words, it would mean that if a man had an income of \$10,000 from tax-exempt securities, and if he had an income of \$10,000 from taxable sources, we could consider the \$10,000 of tax-exempts as in the lower brackets, so as to push the taxable income up into the upper brackets and increase the rate. This has been considered by those who have studied the question as an entirely proper and legal method of reaching income which is now escaping taxation.

The PRESIDING OFFICER (Mr. HILL in the chair). The question is on agreeing to the amendment offered by the Senator from Oklahoma.

The amendment was rejected.

Mr. BONE. Mr. President, this probably is not the most auspicious moment for offering to the pending bill the amendment which I intend to tender at this time. I shall ask that the clerk report the amendment I have offered, but I ask unanimous consent that the reading of it be waived, because I think all Senators are aware of its contents.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Washington? The Chair hears none, and the clerk will state where the amendment is to be placed in the bill.

The CHIEF CLERK. It is proposed on page 33, to add a new section, to be numbered section 404.

Mr. HARRISON. Mr. President, I ask unanimous consent, if the Senator will permit, that hereafter in referring to the amendment it be referred to as the "War Profits Taxation Act."

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. BONE. Mr. President, so that the record may appear in an orderly way, I am glad to concur in the suggestion of the Senator from Mississippi. The amendment I have tendered, and which I now propose to discuss, has appeared in the Senate under various bill numbers. The last bill, which is the one tendered as the amendment, was known as Senate bill 1885. I think Senators are familiar with the bill, because it has appeared in this form for 5 years, the bill first being introduced in 1935.

The bill is in reality the work of the Senate Munitions Committee. To more completely identify it, let me say to Senators that in 1938 the bill received the endorsement of the organization known as the Veterans of Foreign Wars, who publicized it all over the United States and urged its adoption. In 1939 the Veterans of Foreign Wars again put on a nationwide campaign to bring about the adoption of this particular piece of legislation.

Mr. HARRISON. Mr. President, will the Senator yield?

Mr. BONE. I yield.

Mr. HARRISON. Would the Senator be willing, if it meets with the approval of the Senate, to have his amendment, together with the substitute for it offered by the Senator from Texas [Mr. CONNALLY] accepted by the Senate to go to conference? I cannot give any assurance how long it will stay in conference, but we will at least treat them both fairly. [Laughter.]

Mr. BONE. I am rather inclined to accept the suggestion of the able Senator from Mississippi. I think that, in any event, if it were adopted by the Senate, the conferees would exercise their best judgment on the amendment.

If the Senator will give me about 5 minutes, so that I can explain to my colleagues something of the background of the amendment, I will not attempt to go into its merits. I think I shall be happy to avail myself of the offer the Senator has made to have the amendment go to conference.

Without discussing the merits of the amendment, let me say that no group of men in the United States is more sincerely interested in the question of war profits than are the veterans of the United States who saw service overseas. They, in common with all other patriotic citizens of the country, were shocked and filled with a sense of outrage that anyone could remain in the United States during a time when our soldiers were engaged in a foreign war and pile up enormous profits.

I have in the mass of papers before me an editorial from one of the most conservative papers on the Pacific coast, pointing out that the records of the Treasury indicated that during the World War 23,000 men in the United States were permitted to become millionaires.

I think, first, that the country would never survive the economic shock of that sort of an operation were we even to attempt the experience of the former war in allowing individuals and firms to make enormous profits again. Second, I think the proposal of this kind of legislation must at this time appear rather mild to Members of the Senate.

I had intended, had I occupied the floor at any length, to emphasize what I have just stated. A few days ago the able Senator from Florida said that this tax bill was tax bill No. 1, that tumbling one on the heels of the other would come a succession of tax bills, each one devoted to the purpose of making it impossible for anyone to enrich himself during wartime.

We are now confronted with the inevitability of a draft of young men. A great many of us are fathers. We face the necessity of seeing our boys drafted into the Army, and it will be sufficient to say to my colleagues that if a war should come to our country and my boy and their boys were taken into the Army, that draft would not preserve for them any part of their prewar earnings. It would be a draft of 100 percent of their bodies. The draft would include their health, their sanity, and all they have realized out of life up to the time they are drafted.

Now let me be more concrete and specific. Suppose—and I think we should have these things in mind when we pass tax bills, because I want to say frankly to my colleagues that, so long as I am a Member of this body, I shall not be tolerant of the efforts of anyone to make profits during a war—suppose a boy were a university boy, of sound mind and good body, that all he had in life was his health and a good education. At the time he was drafted he was earning, we will say, \$6,000 a year. He might not be good officer material at the moment, because that requires some sort of training, and therefore he would have to become a buck private at \$30 a month.

What would Army officials or Navy officials say to that boy if, when he appeared before the drafting officer, he sat down, as businessmen are wont to sit down when they discuss business matters with Government officials in wartime, and said, "Now, gentlemen, before we go through the formalities of my being inducted into the Army, I want to have a little heart-to-heart discussion with you about business matters. I am sure you, having a profound respect for all the orthodoxies of the capitalist system, will understand that I have a property right in my body, and that property is protected under our Constitution. I have been holding down a pretty good job, receiving \$500 a month. I want now to discuss with you the possibility of my being able to retain part of that. Since I have severed my connection I will expect the Government Treasury to make up the balance for me."

Suppose such a boy appeared before the National Council of Defense and made such an argument, what do you

think, Mr. President, he would be charged with being? He probably would be immediately charged with being a "fifth columnist" or a Communist, or something of that sort. Yet I ask here and now, in good faith, what is the difference between that boy demanding the preservation to him of a portion of his pre-war earnings and the businessman whose profits we have to consider? Does a boy have no property right in his life? Can that be so under a parliamentary government which day in and day out emphasizes in America the sacredness of property rights, emphasizes the fact that if we destroy what we call property rights, then our civilization falls? Can it be possible that under our form of government, with altitudinous elan and wild acclaim in a burst of passion accompanying a declaration of war, to set aside all that boy's property rights in his own body, but at the same time to have a tenderness and solicitude and sympathy in listening to the claims of businessmen to make profits?

The other day there was called to my attention an article appearing on the financial page of a large eastern newspaper, which I shall put in the RECORD a little later. I call the Senate's attention to this because it is going to make for a condition, unless we are emotionally dead, which will bring about such a revulsion of feeling here as will clean the boards in America, and I hope they will be cleaned without the United States getting into the war.

The writer to whom I referred spoke about the English system of taxation. He said there is very serious question in the minds of businessmen in Britain about the effect of the heavier taxes now being levied over there. The picture changes so rapidly that it may have changed since the article was written; but the picture was predicated on this kind of a set-up, that there is a determination made of the normal profits over a certain period, and beyond that the Government takes all. In other words, the excess-profits tax takes everything, 100 percent, over and above the pre-war earnings. In commenting on it this American writer, who probably would have no hesitancy in grabbing 100 percent of the body, said there is grave question now in the minds of many businessmen in England as to the effect of this, because if you remove the hope of profit, if you remove this great motivating force, which is of course profit above the normal profit, there is nothing left for the businessman, nothing to animate him except the vague thing we call patriotism.

Merciful God, just the vague thing called patriotism. If my brethren thought as I do, we would not waste 5 minutes on these bills.

The Senator from Florida [Mr. PEPPER] said the other day that we will take over the property of the United States. I am sure that we all understood that he did not quite mean that.

I will say to my Republican and Democratic brethren who do me the honor to listen to me, that both parties in their platform declarations made definite specific pledges to the American people on this subject. Do Senators know what those pledges were? That pledge in each party platform was the reason why the veterans of America got behind this bill, S. 1885. This is what these pledges said—pledges made by your party and by my party—"In the next war we believe in drafting property exactly as we draft men."

Do Senators think there ought to be any reason why a committee of conferees of both Houses should not be willing to accept the proposal contained in Senate bill 1885? If Senators have no doubt, I shall take time to read the platform declarations to them. Perhaps it can be understood now why the Republicans are going to meet in a few days and adopt a plankless platform. I do not blame them at all. Imagine the party of Lincoln having a plankless platform! That is the kind of platform they ought to have if we "weasel" on this business of war profits. That is the sort of a platform the noble Democratic Party ought to have if it lacks the "guts" to take all the profits in wartime when it takes the bodies of our boys.

There are two other considerations which I think should move us. If one-tenth of 1 percent of the horrors of war that have been pictured to us repeatedly in the columns of the press day after day are true then we will have a struggle to retain our republican form of government if a war comes to us. We will not have to worry over whether we shall make profits or not. I am as firmly convinced of one thing as I am that I stand here today, as I am that I live, and that is that if war comes to us these men, after awhile, are not going to worry about profits. They are going to face the question of whether there shall be a capital levy on all property in the United States.

We can go ahead and concern ourselves about these taxes, and concern ourselves hour after hour in debate as to how much profit men shall have, but if mothers and fathers have not become utterly soft they will never let their boys go to war and be shot to death until they know that all the property in the country has been drafted precisely as the boys have been. They will not be good Americans if they do not do so.

What is there sacred about property that does not apply with equal force to a boy's life? If war comes, I shall not if I can help it, allow anyone to make profit out of war while my boy is in the trenches.

Already we are told that we shall be obliged to have a totalitarian government. I think the Senator from Florida suggested the other night that we had better abandon some of our pretensions and go to it right away. If we must have a totalitarian government do not think that it will protect property. The urge to live is as implicit in government as it is in men's minds. It is embedded as deeply there as it is in the hearts and souls of men. So I think we need not worry about that.

If we proceed with our preparedness program, if we build a two-ocean Navy, we shall be obliged to spend much more than the \$20,000,000,000 the Senator from Virginia [Mr. BYRD] referred to the other day. I think he was quite modest in his estimate. I believe the Senator from Virginia has been very realistic in talking about this matter of defense. We will not spend merely \$20,000,000,000 in preparations. We will spend two or three hundred billion dollars in preparations, and then how long do Senators think we will stand around and talk about profits? Profits! We are discussing the matter of profits, but when making such tremendous outlays there can be little question of profits.

This morning we had a long confab in the Naval Affairs Committee about whether or not shipbuilders, airplane builders, should have 10-, 12-, or 14-percent profits. Suppose the boys are called to the colors, do you think, Mr. President, the American people will with any tolerance listen to long, tedious debates here whether a manufacturer shall make 14-percent profit?

Mr. GILLETTE. Mr. President, will the Senator yield?  
Mr. BONE. I yield.

Mr. GILLETTE. I wonder if the Senator remembers that before the Naval Affairs Committee this morning one of the witnesses testified that if we take away any portion of the profits in this construction work, which we are trying to hurry to a culmination, it would destroy the efforts we were making to expedite the construction for defense? Does the Senator recall that?

Mr. BONE. Yes, I do; and very vividly. I hope every Senator will read the statements of witnesses who appeared before the Naval Affairs Committee this morning. If the people of the United States could read them, they would find them very revealing.

Such statements have been made before committees, not only this morning, but during the years back to 1934, when I tried to have our navy yards expanded, and the Navy objected to it, stating that it did not want to expand them, that when we got into trouble it would have private concerns build the ships. I reminded the Navy Department officials of what private concerns had done to us in the World War. They took our shirts. These patriotic businessmen, these fellows who are waving flags and bellowing to high heaven about their Americanism and patriotism, and

who are squawking all the time about "fifth columnists," said to us, to Senators of the United States, "If we cannot make that much profit, of course, our enthusiasm will wane."

Let a soldier's enthusiasm wane, and what would happen to him? There would be a drumhead court martial, and he would be shot to death. But the patriotism of one of these fellows who makes 24-percent profit on airplanes can wane, and we do not do anything about it. I should like to be in command of this business for a while and have the patriotism of one of these fellows wane. He would wane permanently. That would be his last waning. His wail about waning would be classified among famous last words. When my boy is taken into the Army, do Senators suppose that his patriotism will be permitted to wane when he gets into a trench?

Mr. President, it is funny business. It is un-American. It is indecent. It is a consummation of all the vulgarisms and of vulgarities of all time for men to talk about the profit they must make so that they will work well. These businessmen suggested to us—and a number of Senators were present—that they felt very sure that they could not do a very good job if their profits were cut down to 7 or 8 percent.

They could not do a very good job. Therefore, they would be very loath to assure quick action on tanks, airplanes, and other things if they had to live on a measly, wretched 7 or 8 percent. Their stockholders would not like it. God would be insulted. The angels in heaven would wear their wings at half mast if we did such an atrocious thing to them.

Mr. President, what do you suppose would happen to a boy in the Army who told his colonel, "Now, Colonel, you know I was getting a good salary before I came here, and I am getting only 30 "bucks" a month now. I find my urge to serve my country waning. I am fearful I cannot stage a good fight for you. My profit motive is impaired." What do you think would happen to that boy? My people have soldiered in every war, back to and including the Revolution. I think they had some "guts", and I do not think one of them ever got into an argument with his colonel or division commander about whether or not he was getting enough while he was trying to bring the Republic into existence, or keep Britain from strangling it in its cradle, or to preserve it afterward in all the wars down to the present.

That is the reason why, in my judgment, the bill which I have introduced and which has now been offered in the form of an amendment, which the Senator from Mississippi has been generous enough to agree to take to conference, is the thing we shall have to face. I think it is a mild bill.

Mr. HARRISON. Mr. President, will the Senator yield?  
Mr. BONE. I yield.

Mr. HARRISON. I thought we had arranged matters so that the amendment, which is quite long, need not be printed, but that we might refer to it by title, which would not necessitate the expense of printing it. I think it would be well for the Senate to pass on the question, because I find that printing it would be quite costly.

Mr. BONE. Mr. President, I will say to the Senator that I had several hundred copies of it printed. That may solve his problem. I think the clerk in charge of printing had several hundred copies printed for me, and I think that will solve the Senator's problem for him.

I was diverted, and I am sorry, because I intended to conclude in a moment. I call attention to the fact that Australia and Canada are preparing to take over not merely the income from property, but the corpus of the property, if necessary. The total war of today is altogether different from anything man ever has dreamed of. It has been suggested that we adopt totalitarianism as a necessary thing. It seems strange, does it not, to all of us to have an honored Member of the Senate rise in our midst and urge upon us as a matter of self-defense that it is necessary to adopt totalitarianism to preserve the Republic—to urge upon men who are the sons of men who fought at Gettysburg that we must go to totalitarianism in this country?

If we do so a Fascist government will be set up in this country. We may call it anything we please. I do not care who might head the Government—President Roosevelt, a Republican President, or anyone else—it would be a Fascist government. To fight an evil, to fight a monstrous thing, we must embrace it. And yet we have been told this week that we must embrace fascism or its equivalent.

As I see fascism and communism in operation in the world today, there is not much difference between them, except that the Fascist movement, or the Nazi movement, or the totalitarian or authoritarian type of government takes over the whole of the economy in a succession of bites—half a dozen or a dozen bites, including capital levies, and what not. The Communist movement merely makes one big gulp and absorbs the whole thing at one time. If Senators have any choice of executioners, if they prefer to be burned at the stake to being boiled in oil, I shall not quarrel with them about how they shall be incontinently and improvidently removed from this vale of tears. So far as I am concerned, I prefer to live here. In the words of Walter Lippmann, I am one of the soft Americans who like to live in America and have automobiles and things which the fecund genius of America has given us in unlimited quantities—things which I think, if we have any sense at all, we can retain.

No; we are not to retain those things. We are to embrace a totalitarian form of government, we are told, and rush into it so that Senators may save themselves unnecessary worry about the little tax bill which the veterans endorse.

As I was about to say a moment ago, I feel almost ashamed to offer the bill. It is such a flabby, washed-out little thing compared with the thing which has been suggested is necessary in America that in a way I hate to offer it. All it does is to provide a level of taxation preserving, I may say parenthetically, those deductions and allowances in existing law. It would allow a corporation to retain nearly 5 percent of its net profit. It would take in private income almost everything above the \$10,000 level. I hate to bring the sad news to Senators. I may never smile again after I tell Senators that it would take \$2,600 of taxes out of the salary of each Senator. Senators are now paying income taxes. If any Senator thinks that my proposal is too God-awful for words, and that it would be an assault upon the American form of government to take \$2,600 out of his salary, if he thinks that is too great a sacrifice to make to preserve America, I will withdraw the bill.

It has been suggested that the rich may suffer greatly. Had I been disposed to make a long argument, I could have read to the Senate some figures on the incomes of twenty-nine and a half million American families. About 98 percent of them would not be touched by the bill.

Mr. President, I shall not waste my time wailing over the miseries of 1 percent of the vulgar rich in America. They can somehow take care of themselves. If we tax them on their incomes during war and take all but \$10,000, I hope Mr. Morgan can get along. I use him as an illustration. I do not pick him out as a personal devil, or anything like that, or single him out as a rich man. If we were to take all but \$10,000 or \$12,000 of his income, I feel certain that Mr. Morgan has enough assets tucked away to live fairly well for a year or so while the boys are out in the trenches.

If anyone disagrees with that conclusion, and will assure me that Mr. Morgan is "busted" and could not possibly live through a few months of adversity, then I shall ask him why he voted against the increase in the W. P. A. allowance for poor devils getting 50 "bucks" a month, who break bread with beggars and sleep in the brush. Millions of them have no place to turn—no place to lay their heads. So I am not going to worry about Pierpont Morgan or any of the other gentlemen who might be touched by the higher income brackets.

The amendment would take 93 percent in the higher brackets, and I think that is a very modest amount when the country is in the throes of a great and bloody war.

I hope—and I know I am expressing the hope that is in the heart of every man—that we will not get into war, because I think that would destroy the Republic. The impact of debt alone would destroy us. If we are going to spend \$200,000,000,000 in preparation, as has been suggested here—and it might lead to that over a long period of years—obviously we never in God's world could hope to preserve intact the thing we call the United States of America if we ever got into war.

There is one final thing which has, I think, made the veterans very anxious to have this done. They knew that if we ever attempted to pay for another war with debt instead of paying for it out of the income of the country as we fought the war, we would merely balloon up the present debt level to a point where it would be intolerable, and in itself would destroy the Republic. Second, it would not be possible to pay a dollar of pensions to veterans of the World War, let alone veterans of the new war; and I am not so certain how long we are going to be able to carry the present debt. I agree with my friend from Virginia [Mr. BYRD] about that. I frequently am in disagreement with him, but he has been very realistic about the tax situation. I think the American people are not going to pull in the belt one or two notches. They are going to get hold of one end of the belt and start pulling and never let the little pin fall into the slot. The point where you let the little belt buckle finally come to a hole is past in our time. No man in this Chamber will live long enough to see the end of the spending splurge we are on now. So, knowing that, if we are realistic enough to know it, we might as well get ready to make all the levy we can on the net incomes of Americans.

We did not create this condition. God help us if we should get into war. There would not be anything left. We would first make a capital levy on the property of the country. We would finally do what New Zealand and Australia are planning to do. Mr. Menzies, the Prime Minister of Australia, said the other day, "We are going into this struggle, and we are going to fight it through, and we are going to win it through, if we take every dollar of property in Australia." Well, we may be in a war ourselves pretty soon. If some of the ardent folks in this country who scream for blood, and yearn to send their manly briskets against the bristling bayonets of the enemy, have their way, we shall be in war pretty soon, and then the proposals of the Senator from Oklahoma [Mr. LEE] and myself will look like child's play. It will take more than chicken feed to carry on that kind of a war. It will mean a totalitarian form of government, where the draft is simply a situation in which an officer walks in and says, "Brother, get out of your factory." "This is my factory. The fifth article of the Constitution of the United States says"—and about that time he would be called an "eighth" or "ninth" or "tenth columnist." We would have graduated from the "fifth columnist" class by that time. He would be up in the higher brackets of infamy.

"We want your factory." If you make the slightest demur, someone will call in a private and say, "This fellow does not like what we are doing here. Stick a bayonet in him, or take him somewhere and send him off into a corner. He is an alien enemy." "Oh, no; I was born in Pittsburgh." "The hell you were. It does not sound like it. You are an alien enemy. We have a fellow at the head of the Government like Hitler." That is what he will tell the boys running the show in this country, and he will not mince matters in doing it, either.

I understand that the amendment of the Senator from Texas [Mr. CONNALLY] is going along; and my only quarrel with that proposal is that it is not high enough. I think he has been entirely too generous. The Senator from Texas has a feeling that perhaps this thing can ride along, and he is trying to give the taxpayers every break in the game. I think he has not kept up with the Senator from Florida [Mr. PEPPER] and the rest of us here, and does not understand what is going on.

I do not like the social controls in these measures, but in the mutations of time they may be so mild that we will look back and say that the Senator from Texas was a stand-

patter; and God knows I absolve him from that crime now. I hope the conferees, when they get out there, will just look realistically at this matter, and know that this is what we will call tax bill No. 2. It does not become effective unless war breaks out, so no one need beat his or her breast in wild fear and agony if it should go on the statute books as a result of the action of the conferees. No one would be hurt, but the feelings of some of the boys would be hurt because, oh, ye gods; how they yearn and how they lust after the fleshpots of war profits.

Mr. LEE. Mr. President, will the Senator yield?

Mr. BONE. Yes; I yield.

Mr. LEE. Of course, I am in agreement with the Senator on his amendment; but there is one source of war profits that even the Senator's amendment will not touch. In the last World War the interest on the bonds which we sold to finance the war yielded, up to 1934, \$12,000,000,000, which we paid in high interest rates, which was tax exempt, which even the Senator's amendment will not reach. I merely mention that; so that even after we adopt the Senator's amendment we still must deal with the other field of borrowing on a tax-exempt basis, and guaranteeing profits, and guaranteeing that the profiteer may keep them.

Mr. BONE. There is truth in what the Senator says. I am sympathetic with his amendment. I think we are going to have to ask ourselves how long we can keep floating bonds, even for the enormous preparation program that confronts us, and, beyond that, how we could possibly hope to float bonds to finance an actual war. I do not believe there is anyone in the Senate who has even seriously thought about what that would mean. Suppose we should try to unload a hundred billion dollars or two hundred billion dollars of bonds, in a long-drawn-out war, on the banks of America. Every one of us knows that it just could not be done; that is all. We would destroy all the banks. If bonds went off 10 percent now, it would wipe out the capital of most of the banks. If we attempted anything like that, the economic structure of America would not have to be pulled down; it would collapse of its own weight. Everyone in this body knows that. Everyone knows it.

Taxation is now a deadly necessity. As a matter of fact, something of the proposals in this amendment ought to be clamped on now. We should raise as much as we could in the way of revenue out of current earnings of the country, and perhaps underwrite some of the bonds that the Senator from Oklahoma proposes in his suggestion. None of these things are weird and bizarre. They are going to be deadly necessities in case of war.

So I am going again to express the hope that the committee will seriously consider this matter, and put on one of these amendments. I certainly hope it will be Senate bill 1885.

If, however, they think this thing is too drastic, they had better adopt the proposal of the Senator from Texas [Mr. CONNALLY] as a less drastic alternative. At least the presence of either of these proposals on the statute books of this country would do no harm, and I am inclined to think it would have a very salutary influence.

Mr. BARKLEY obtained the floor.

Mr. HARRISON. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. HARRISON. I do not want the Senator from Washington to take his seat under a misapprehension. I do not think it feasible to accept the two amendments, as I suggested, because of the peculiar situation. I understand it would cost \$2,100 to engross and send to conference both of these bills, the Connally bill and the Bone bill, which are very long. So I think it better that the question of the adoption of the substitute be put, and the Senate be allowed to decide which it will take, the Bone amendment or the proposed substitute. I hope it will not take either one.

Mr. BONE. Mr. President, I should like to say, then, that, in view of the fact that the bill of the Senator from Texas covers much lower levels of taxation, particularly in the higher brackets, and somewhat higher levels in the lower

brackets, and because it does not approach this problem and absorb the amount of net revenue which I think should be absorbed, if there is any inflation and ballooning of prices and taking advantage of the margins of profit which are allowable under the bill, I would, of course, object to the bill of the Senator from Texas. I am sure he will understand that I only object to the levels. I wish to say that I have no quarrel with any Senator who agrees with the levels presented.

Fifty Senators put their names on the bill I introduced with the idea of having it considered. Some columnists—and the country would be desolated without columnists—said that Senators had not read the bill. I know several Senators have read the bill of the Senator from Texas. We have here a revenue measure of 158 pages in fine type. Aside from the Senators who actually worked on it in the Committee on Finance, if there is a Senator in this body who will now rise and tell me that he has read the bill, I will sit down and not utter another word. Will one Senator in the whole body rise and tell me he has read the revenue bill of 1939, except the Senators who worked on it in the Finance Committee? And they did work.

Of course, the columnists read everything. [Laughter.] The day this bill was introduced, even Dorothy Thompson, who apparently is the best-informed person in the United States, stated that the bill did not allow an exemption for the payment of taxes to a State or its political subdivisions, and when the attention of all the country was drawn to section 23 of the bill, which made that very provision, were any of those folks, these publicists, who guide the country in all the glory of their transcendent genius, gallant enough, courageous enough, and forthright enough to admit they fibbed a little about the bill? Oh, no. The next afternoon out came a blast again, and when it was pointed out that they were completely in error, did they admit it? Oh, no.

The United States News, David Lawrence's paper, had the courage to come out and say that a number of these columnists had made an error and had misinformed the country, but I have not noticed that one of the columnists has admitted he was dead wrong.

The Veterans of Foreign Wars, who filed 4,000,000 petitions asking that this country be kept out of war, and asking for the passage of this bill, for reasons which were cogent with them, their leaders having read the bill and having satisfied the veterans that these high tax levels were desirable, wanted the bill passed. Certainly the veterans of this country, who are now the victims of the last war, not only have a right to express an opinion, but their opinion should weigh heavily.

Mr. BARKLEY. Mr. President, I have no desire to take the time of the Senate, but inasmuch as the amendment, which really is in the form of a bill—it is a complete tax bill within itself—

Mr. BONE. Yes; it would take the place of all other forms of Federal taxation, and would automatically end when the war ends.

Mr. BARKLEY. It applies to income taxes as well as corporation taxes and all other taxes. It is a bill which contains 183 pages. It has not been read to the Senate, and therefore I wish to make a very brief statement, not an argument, but a brief statement as to what it contains.

The individual normal tax is 6 percent, instead of the rate of the present law, while the personal exemptions are \$1,000 and \$500, respectively, for married and single persons, with a credit of \$100 for each dependent, instead of the present \$400.

No earned-income credit is allowed. The individual surtax provision contains five brackets, the first of which embraces that portion of the surtax on net income in excess of \$3,000 and not in excess of \$5,000. The last bracket embraces the portion in excess of \$20,000. The rate applicable to the first bracket is 10 percent and to the last bracket 93 percent.

Beginning with a net income of \$40,000, the bill would take 74 percent, and the rates are increased so that in the

case of a million-dollar income the bill would take 98 percent of the income.

The general corporate income taxes are based on net income, and the rates are graduated in accordance with the relation of the adjusted declaration of declared value of the capital stock of corporations, and the net income based upon the declaration of value for 1934.

Mr. BONE. That adjusted declared value was adopted in 1934 and has been carried in the subsequent law. I understand it is the basis of our present taxing law.

Mr. BARKLEY. The Treasury informs me that the adjusted declaration values as of 1934 for the purposes of capital-stock tax vary from the book value to the market value as high as 84 percent, so that on a basis of declared value for capital-stock tax purposes in 1934 there would be many corporations in the country which would have 84 percent less than their actual value; that is, their book value or their present market value. So that, while the bill provides that all above 60 percent included in the declared value as of 1934 is taken in the tax, in cases where the declared value of 1934 represents a value much less than the present value, the result would be that probably all above 3 percent would be taken by the Government.

Life-insurance companies, and mutual-insurance companies other than life-insurance companies, are taxed 95 percent on their net income under the bill.

A tax of \$100 per share or any fraction thereof payable by the issuing corporation is imposed on stock issued as dividends. In other words, if a corporation makes a certain profit and desires to use the profits in the financing of its plant and does not pay it out in cash and in dividends but pays it in stock instead, an increased issue of stock representing the profit, the bill takes all of it; that is, it takes a hundred dollars a share or any fraction of a share. If the par value were a hundred dollars it would take all of it. If the par value of the shares were \$10, it would still take a hundred dollars a share on the basis of the \$10 value. So that it would take 10 times as much as the value of the stock issued in lieu of a dividend.

Mr. BONE. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. BONE. I should like to ask the Senator from Texas about the various levels in Senate bill 1248. I do not know whether or not the Senator has changed the levels in the bill.

Mr. CONNALLY. Is the Senator speaking of the total amount collected?

Mr. BONE. No; the various amounts which would be collected under the various levels of income which were taken from Senate bill 1248, which was the last bill the Senator introduced.

Mr. CONNALLY. It was House bill 5229.

Mr. BONE. No; that bill was introduced in the House, and it was a companion bill to the other bill. The first bill the Senator introduced was Senate bill 1248.

Mr. CONNALLY. I do not remember the number.

Mr. BONE. That was introduced in 1937, the first session, on February 1.

Mr. CONNALLY. That was based on a different proposition. That was based on undistributed dividends. This bill has been changed to integrate it into the regular tax system, which succeeded the undistributed profits tax.

Mr. BARKLEY. The schedule of general corporate income tax is as follows:

On any net profit not over 2 percent of the adjusted declared value of capital stock as of 1934, the tax would be 15 percent.

Over 2 percent and not over 6 percent of the adjusted declared value of capital stock the tax would be 25 percent.

Over 6 percent of the adjusted declared value of capital stock the tax is 100 percent.

In other words, the bill taxes at the rate of 15 percent on profits up to 2 percent on the adjusted declared value, and then it taxes the profits above 2 percent and not above 6 percent at the rate of 25 percent, and then on everything

over 6 percent of the adjusted declared value of capital stock it takes 100 percent of all there is above 6 percent.

So under the bill if a tax of 15 percent is levied on the profit up to 2 percent, and 25 percent on the profit between 2 and 6 percent, and then 100 percent tax on all profit above 6 percent, the actual tax might amount to as much as 85 percent or 90 percent.

I mention that simply in order that the Senate may know on what it is voting.

I have here a letter to the chairman of the Senate Finance Committee from the Secretary of War, to whom the bill was referred for comment and report. I shall not read the letter. It calls attention to the fact that under the National Defense Act they are required not only to coordinate the military but the economic situation in the country in order to bring about the best possible national defense, and they comment on the fact that there is a point beyond which even in time of war we cannot go and expect to raise any revenue.

I ask that the letter from the present Secretary of War, commenting on the bill, be printed at this point in the RECORD as part of my remarks.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

WAR DEPARTMENT,  
Washington, May 5, 1939.

HON. PAT HARRISON,

Chairman, Committee on Finance, United States Senate.

DEAR SENATOR HARRISON: Careful consideration has been given to the bill, S. 1885, "To tax the profits out of war by steeply graduated income and other taxes in order to provide for effective national defense, to promote peace, to encourage actual neutrality, to discourage war profiteering, to distribute the burdens of war, to keep democracy alive, and for other purposes," which you transmitted to the War Department under date of March 22, 1939, with a request for information and the views of the Department relative thereto.

The effect of the proposed legislation will be to enact a new revenue law to become operative immediately upon a declaration of war.

While it is outside the scope of War Department activities to determine the manner in which war necessities shall be financed, the Department is charged by law with the preparation in peace of plans for the mobilization of the economic and industrial resources of the country essential to wartime needs. These plans, after many years of intensive effort, have reached an advanced stage. They are based on the principle that the cooperation of all elements of the population is necessary and will be had in carrying out the defense program. In preparing these plans it has been considered essential to avoid all experimental and uncertain methods and proposals in favor of those the technique of which is well understood by the industries and business interests of the country. Only in this way is it considered possible to avoid confusion and disruption of economic processes, especially in the early days of an emergency, when national efficiency is of major importance.

In the opinion of the War Department, the proposed legislation will endanger the operation of plans prepared for national defense in a most critical period. The operation of this legislation may well result in the disruption of the cooperative spirit upon which the execution of the procurement plans depends and result in the liquidation of securities of industrial concerns in a period when they should be operating at maximum efficiency.

The War Department, while in complete sympathy with the desire to equalize the burdens of war and to prevent profiteering, believes, and has at various times in the past recommended, that the subject of war finance and taxation be made the subject of a deliberate and careful study in peace by the Treasury Department. It is believed that as a result of such a study revenue legislation may be drafted in peace in such a manner as to avoid endangering the general defense plans. Legislation so drafted could then be kept continually revised ready for presentation for legislative action by Congress when the emergency so required.

As an aid in developing governmental policies effective in support of plans for national defense, the War Department recently requested the Brookings Institution to undertake a comprehensive study on the economics of price control in war in its relationship to the efficient conduct of the war, the prevention of profiteering and inflation, and the equalization of the burdens of war. This study is now being actively pursued but will not be completed for several months. It will suggest legislation which will serve as the basis of recommendations to Congress with respect to a sound economic preparedness program. When the results of this study are available to the War Department it will be in a much better position than at present to assist in developing constructive legislation relating to the subject under consideration.

The War Department is of the opinion that the bill S. 1885 would be detrimental to the interest of national defense and recommends that it be not enacted into law.

This report was submitted to the Bureau of the Budget, which advised that there would be no objection by that office to its sub-

mission to your committee, it being understood that no commitment would thereby be made with respect to the relationship of the proposed legislation to the program of the President.

Sincerely yours,

HARRY H. WOODRING,  
*Secretary of War.*

Mr. BARKLEY. I also have a letter from the Secretary of the Navy with respect to this proposal, which takes the same position as that taken by the Secretary of War. I shall not read it, but ask unanimous consent that it be printed in the RECORD at this point as part of my remarks.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

DEPARTMENT OF THE NAVY,  
OFFICE OF THE SECRETARY,  
Washington, June 7, 1939.

The CHAIRMAN, COMMITTEE ON FINANCE,  
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: The bill S. 1885, "To tax the profits out of war by steeply graduated income and other taxes in order to provide for effective national defense, to promote peace, to encourage actual neutrality, to discourage war profiteering, to distribute the burdens of war, to keep democracy alive, and for other purposes," was referred to the Navy Department by your committee with a request for a report thereon.

The bill S. 1885 proposes to impose upon the people and corporations, immediately upon declaration of war and until Congress shall declare the war emergency to be at an end, a system of steeply graduated taxes. The rates of income tax now prevailing on individuals are increased and exemptions decreased. The normal tax rate is increased from a minimum of 10 percent upon surtax net incomes between \$3,000 and \$5,000 to a maximum on incomes of over \$20,000 of \$9,880 on the first \$20,000, and 93 percent on all surtax net incomes above \$20,000.

The corporation taxes proposed run from 15 percent of such portion of net income as is in excess of 2 percent of capital-stock value to 100 percent of such portion of net income as is in excess of 6 percent of capital-stock value. Holding companies' net incomes would also be drastically taxed. A levy of 98 percent of their undistributed net income is proposed, and in no case would any such company be able to accumulate over \$100,000 undistributed net income in any one year.

The least possible adverse effect that could be expected from such legislation as that proposed by the bill, S. 1885, would be a drastic change in the entire economic structure of the country at the very time when the least possible disturbance thereto is imperative.

Once war is upon us, the entire national economy must be geared and adjusted to its successful prosecution and earliest practicable termination. Incidentally, price-control measures will undoubtedly be installed upon inception of war. In fact, they are provided for in the industrial mobilization plan. They, in themselves, will tend to prevent undue accumulation of profits. This contemplated procedure should allay the fears of those who are concerned over profiteering and excess profits after war is upon us.

The Navy Department recommends against enactment of the bill S. 1885.

No commitment is made with respect to the relationship of the legislation proposed in the bill S. 1885 to the program of the President.

Sincerely yours,

WILLIAM D. LEAHY, *Acting.*

Mr. BARKLEY. I also ask unanimous consent to have printed as part of my remarks a statement which has been prepared by the Treasury experts who are working with the Finance Committee in respect to this tax bill, which includes a paragraph or two from the report of the House Committee on Ways and Means on the pending bill, in which it states that they are giving consideration to the question of excess-profits taxes, and also to the question of war-profits taxes, with the view to bringing in a sound measure dealing with that subject at a very early date.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

The proposed amendment relates to the general subject of taxation of war and excess profits. Because of the complicated structure of our economic and financial systems and because of the extremely high rates involved in such taxation, this field presents many extremely difficult and intricate problems. It is, of course, essential that individuals and corporations be prevented from unduly enriching themselves through rearmament or war. The problems of war and excess-profits taxation require detailed and intensive study before reasonably adequate and satisfactory solutions can be found. Recognizing the importance of these problems and the necessity for seeking adequate solutions, the report of the Committee on Ways and Means on the pending bill contains the following paragraph:

"During the executive sessions, there have been discussed proposals to provide special amortization for national-defense indus-

tries and to provide for the imposition of excess-profits taxes. These two measures—each in itself requiring a complicated and exhaustive legislative project—must be considered together. It is the desire of this committee, which is favorably reporting a bill which will enable a larger proportion of our citizens to participate in the responsibility of providing an adequate national defense than has ever been the case before, that there shall not be an opportunity for the creation of new war millionaires or the further substantial enrichment of already wealthy persons because of the rearmament program.

"Accordingly we have instructed our technical assistants and the appropriate Treasury officials to accelerate their work in these two fields so that bills will be prepared for submission not later than the opening of the next session of Congress, which if passed by the Congress may become retroactive and apply to income earned during the calendar year of 1940, or may become effective upon any other date which Congress, in the light of information it then possesses, may deem advisable."

This proposed amendment is substantially identical with legislation which was considered by a Subcommittee of the Finance Committee in 1936. With respect to that legislation the Treasury Department expressed its views in such detail and at such great length that it is impossible to review all of its recommendations at this time. Suffice it to say that many of the questions raised by the Department involved the underlying structure of this proposal (hearings before a Subcommittee of the Committee on Finance, United States Senate, 74th Cong., 3d sess., on H. R. 5529, pp. 17, 95, and 131 et seq.). For example, there may be doubts as to the wisdom of using as a base for the taxation of corporations the "adjusted declared value" of the corporation's capital stock. Also the deductions allowed are so restricted in scope as to perhaps be grossly unfair in the case of a tax having rates as high as 100 percent of the net income in excess of 6 percent of the adjusted declared value of capital stock in the case of corporations and as high as 99 percent of the surtax net income in excess of \$20,000 in the case of individuals.

The proposed amendment was drafted at the time the Revenue Act of 1936 was being considered by the Congress. It is thus geared to a tax law long since out of date. Substantial technical revisions of the revenue structure have since been enacted, notably the Revenue Acts of 1938 and 1939. It is therefore necessary to devote considerable time and study to integrating the proposed amendment with the existing tax law in order to prevent the amendment from operating harshly or inequitably either against taxpayers or against the Government.

Mr. BARKLEY. I realize that Senators who are interested in this legislation will probably feel that that is a sort of an evasive situation, where promises are made that the situation will be studied and a tax bill brought in. But I feel that we ought to keep in mind that we are not at war. We are not really writing a war-tax bill. No one wants any corporation or any individual in this country to reap profits out of war. I know of no sensible person who is not willing to go as far as it is possible to go in making property and profits amenable to a war situation as completely as men are made amenable to a war situation.

I think we ought to keep in mind that we are not at war; and if and when we do go to war, if we ever do—which I hope we will not do at any time—we will then be confronted with writing a war-tax bill in view of the conditions which exist in war. We are not now writing a war-tax bill. We are writing a bill designed to raise revenue at least in part to cover the expenses of preparing against war.

With all due respect to my dear friend, the Senator from Washington, in whose sincerity I have the utmost faith, and of whose ability I find myself frequently envious, his proposal that we shall write here a tax bill, which is really a substitute for the bill we are considering, a measure 183 pages in length, which has not been given any consideration by the tax-writing committees of the two Houses, calls upon one to be a little more credulous than I myself feel like being at this time.

I want these facts to go into the RECORD so that if this proposal should go into the pending bill and should go to conference, the conferees will have the benefit of the facts which I have set forth in considering whether the amendment should be agreed to.

Mr. BONE. I am sure the Senator does not want to have remain in the RECORD a statement that my amendment is a substitute for the pending bill.

Mr. BARKLEY. Well, in the sense that it is a complete tax bill, and it is inconsistent with the bill we are now considering.

Mr. BONE. It is not inconsistent with the bill, when we consider it proposes taxation to be put into effect in time of war.

Mr. BARKLEY. Both of these bills cannot be in effect at the same time.

Mr. BONE. Oh, yes; they can.

Mr. BARKLEY. The rates of income taxes and corporation taxes are entirely different.

Mr. BONE. Let me put it this way. They cannot, of course, be in effect at the same time; but if my amendment should be adopted, this is what would happen: The measure would simply be on our statute books in inoperative form. The amendment provides that the part of the bill represented by my amendment would remain inoperative except upon the declaration of war. Then it would supersede all existing legislation, but it would automatically go off the books when war ended.

Now, as to the attitude of the War Department and the Navy Department, to which the Senator from Kentucky has referred. Let me tell the Senate something that is of interest, which at times has made me wonder about the War Department and the Navy Department:

Back in 1937 I had the temerity to introduce a bill which called upon the Navy Department immediately to expand our navy yards with sufficient ways, slips, and welding and cutting machinery to take care of the Vinson-Trammell program, with the amendments thereto up to that time. Had we done that—and it would have taken about \$25,000,000—the Navy Department of the United States would have had in its possession right now facilities so complete that on 5 minutes' notice they could have laid down the keel of every big ship authorized up to the time the last authorization was made by Congress.

In that same bill I asked for the expansion of Government arsenals, to be equipped with new jigs, dies, tools, machine tools, and fixtures to take care of the then peacetime needs of the United States, and in addition to lay in a huge supply of jigs, dies, tools, and machine tools and fixtures of all kinds in such quantities that if an emergency came, under the direction of the President of the United States the machine tools could have been put into any private factory, so it would be completely tooled and ready to go to work as soon as the necessary adjustments could be made in the private plants.

Mr. President, I want the RECORD to show that statement because a distinguished Senator the other day asked me if I had voted for a certain naval bill. He knew better. I do not know what impelled him to ask that question. Had I been smart enough at the moment, he would never ask me another question in this body again. But he did not support my proposal. In the Naval Affairs Committee, as early as 1934, when the representatives of the Navy came here and said there was a crisis, I said, "All right; let us expand our navy yards; let us expand our arsenals; let us put in a huge supply of jigs, dies, and machine tools." I want to tie this to the Navy Department and the War Department, which are always writing reports and sending them here.

What do Senators think the Navy Department did in response to that suggestion? The Navy Department—the same Navy Department which is telling us now that we are in an awful fix—sent word that that idea was not in harmony with national defense, and that we had better wait and let private plants do it until a crisis came.

Mr. President, out with that sort of business. They would have this country in such a position that it could not adequately defend itself on short notice, and we could not defend ourselves when the crisis came.

I say that is a queer kind of patriotism. We could have had our own navy yards, which could do all the work, if the Navy Department had had the guts to say "yes." I have the letter of the Navy Department. The Department says, "No; we cannot interfere with private initiative; and when a crisis comes we will have private plants do the work." Today we have the deadly certainty of having private plants do it, under the conditions described by the Senator from Iowa [Mr.

GILLETTE] a moment ago. The private builders come before us and say, "We cannot do a good job because our profit motive is interfered with. We might soldier on the job unless we made 14 percent." The Senator from Maryland [Mr. TYDINGS] was present when this matter was amplified for us.

That is the condition we are encountering. It was not considered good practice to have a Government navy yard, and to have Government construction yards and slips; but under the theory advanced by the Navy Department, when we expand a private yard, Uncle Sam is to pay for all the expansion at the expense of the taxpayer, and Senators will vote for it. We have already voted for it. We are to pay for the expanded private facilities with Government money, and private plants will make the profit. If we are to follow that plan, why not have Uncle Sam own the plants?

Three or four years ago I stated in the Naval Affairs Committee that we were living in a troubled world, and that we might never see the end of it in our lifetime. Let us at least expand our navy yards and arsenals to take care of as much work as possible. They would be totally inadequate in a great crisis, but we should have them as a backlog of preparation. I am fed up with the idea of being told that there is something subtle or smoky in that sort of a suggestion, and that it is not a good, patriotic American doctrine. That is the reason why I object to the Navy Department and the War Department telling us what to do about taxation.

Mr. BARKLEY. Mr. President, I will say to the Senator from Washington that the Committee on Finance asked the Secretary of War and the Secretary of the Navy for reports on this bill, because under the law they are charged not only with coordinating the military and naval forces of the United States but also with some duty in connection with coordinating the economic condition of the country. In response to a letter from the chairman of the Finance Committee, the Senator from Mississippi [Mr. HARRISON], asking for their opinion on the bill which the Senator has offered as an amendment, the Departments wrote replies. I am sure the Senator will be fair enough to admit that the Secretary of War and the Secretary of the Navy have not barged in of their own volition and written a report on the bill. They were asked by the committee to do so.

Mr. BONE. I know; but they do many funny things.

Mr. CONNALLY. Mr. President, I desire to offer a substitute for the amendment offered by the Senator from Washington, and I ask that it be considered without reading in detail.

The PRESIDING OFFICER. The Senator will send his amendment to the desk. Without objection, the amendment will be considered without reading.

The CHIEF CLERK. The amendment, in the nature of a substitute offered by Mr. CONNALLY, is to insert as an amendment the text of Senate bill 4141, to provide revenue and facilitate the regulation and control of the economic and industrial structure of the Nation, for the successful prosecution of war, and for other purposes.

Mr. CONNALLY. Mr. President, I do not enjoy a night session any more than does any other Senator. I am not responsible for this night session, and I regret the necessity for having it. I do not want to weary Senators by unduly delaying the Senate.

It is only through a sense of duty to the committee, which appointed the Senator from North Carolina [Mr. BAILEY], the Senator from Pennsylvania [Mr. GUFFEY], the Senator from Wisconsin [Mr. LA FOLLETTE], the Senator from Delaware [Mr. TOWNSEND], and myself as a subcommittee to draft the substitute which we have proposed, that I am emboldened to ask that it be substituted for the amendment of the Senator from Washington.

In 1936 we were appointed a subcommittee to draft a war-profits act. We have revised the measure two or three times, due to the change in our taxing system, because we wanted it to be harmonious and integrated into the existing system. So, at the present time, it represents about 6 months of studious work on the part of the subcommittee,

in connection with the Joint Committee on Taxation and its experts, the Treasury Department, and other Government departments.

We have worked out a war-profits bill applicable only in time of war. The rates are very heavy, but not quite so severe as the rates in the amendment of the Senator from Washington. For instance, on a \$1,000,000 net income, the amendment of the Senator from Washington would take more than \$980,000. The amendment which we offer would take 88 percent rather than 98 percent.

In the case of a married person with no dependents the measure which we sponsor would take \$40 instead of \$60, as provided by the amendment of the Senator from Washington. The rates are more gradual under our measure, and yet they are very heavy. The Treasury estimates that on the basis of 1938 income data on individual incomes the rates carried in my proposed substitute would produce \$7,866,000,000 a year. With respect to the tax on corporations, we were not able to make an estimate for 1938, because the data for 1938 were based on undistributed dividends, and we did not have the necessary experience to estimate what the rate would produce in the case of corporations; but under the terms of the amendment, which automatically would go into effect only in time of war, the revenue from individual incomes, on the basis of data for 1938, would be approximately \$8,000,000,000.

The Senator from Kentucky [Mr. BARKLEY] says that we are not in a war. No; we are not in a war, but when we get into a war we ought to have the tax structure already in operation prior to the declaration of war. When war comes we may not be able to pass a war-revenue bill for months after the war shall have begun, and the taxes would not be provided for unless we should make them retroactive, which would, of course, meet with much opposition and unfavorable reaction from the people.

Mr. President, this is a task which we did not seek. By order of the Finance Committee the subcommittee spent literally months in hearings, and in detailed, laborious efforts, as will be testified to by all the members of the subcommittee.

The only kind of a bill to which we could tie this measure is a revenue bill coming over from the House of Representatives. We could not bring it up in the Senate at will and pass it through this body. We should have to wait until the House sent us a revenue bill. Whenever it is suggested that we attach it to a revenue bill, some Senator rises and says, "Let us do it next year, next month, or next fall."

The subcommittee has discharged its duty. We are depositing the bill on the front porch of the Senate. If the Senate does not want it, it is perfectly all right with the subcommittee. The Finance Committee ought to want such a bill adopted. The Finance Committee examined it, went over the work of the subcommittee, and approved the measure. We ought to have the support of the Finance Committee, although judging by some of the votes earlier in the day it seems that such support is rather unpopular.

Mr. TYDINGS. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield.

Mr. TYDINGS. Will the Senator tell us what the exemption is for a single man?

Mr. CONNALLY. I believe the exemption for a single man is \$800, and for a married man \$1,500.

Mr. TYDINGS. A married man without children?

Mr. CONNALLY. A married man without children has an exemption of \$1,500, or perhaps \$1,600, and a single man has an exemption of \$800. I have the report before me in detail. I have not gone through the report for some time.

Mr. President, let me recite some of the rates briefly.

On an income of \$2,000 a married person with no dependents would pay \$40. On an income of \$2,500 he would pay \$90. On an income of \$3,000 he would pay \$164. On an income of \$3,500 he would pay \$244; on an income of \$4,000 he would pay \$336; on an income of \$4,500 he would pay \$431; and on an income of \$5,000 he would pay \$538.

Is that a burdensome tax? On an income of \$10,000 a married person with no dependents would pay \$1,354. The

normal individual income-tax rate, after the allowance of deductions and things of that kind, is 10 percent. Then surtaxes are added gradually, so as not to be confiscatory.

The trouble with the amendment of the Senator from Washington is that we could not make war on it. We could not conduct a war on it, because it is so destructive of income that I very much fear it would hamper the waging of the war. We might be able to wage the war, yet we want to take all the profit that we can, over and above a reasonable return, from every individual and every corporation in the land, whether engaged in the manufacture of war materials or in any other activity.

Mr. TYDINGS. Mr. President—

Mr. CONNALLY. I yield.

Mr. TYDINGS. As I understood the Senator's explanation of the amendment, he has explained the individual income-tax provisions and the amount of gross revenues they would raise, but, as I understood his explanation, there was no estimate of what the corporation tax would raise.

Mr. CONNALLY. There is a corporation tax, but we were not able to estimate what it would raise, because when we originally drew it, it was based upon the law we had about taxing undistributed profits which we later repealed. So, since we repealed it, we have changed this amendment to fit in with the present system, but we did not get an estimate; but I can tell the Senator what the tax on corporations would be.

In this amendment we have also an excess-profits tax. The normal tax on corporations, the flat tax, is 22 percent. In addition to that, there is an excess-profits tax. The excess-profits tax is based upon two alternative systems; either upon the basis of the invested capital or upon the Canadian system, which represents a 4-year pre-war average. They take the average profits for 4 years before the war and permit a return of 5 percent, I believe it is, and then take 50 percent of all above that.

Mr. TYDINGS. Mr. President, will the Senator yield at that point?

Mr. CONNALLY. Yes.

Mr. TYDINGS. Is there any exemption for corporations—three or four thousand dollars?

Mr. CONNALLY. I think there is an exemption of \$3,000.

(a) The excess-profits credit shall consist in the case of a domestic corporation of (1) a specific exemption of \$3,000 or (2) 5 percent of the invested capital for the taxable year, whichever is the greater. \* \* \*

(b) In the case of a return made for a fractional part of a year, the specific exemption of \$3,000 shall be reduced—

And so forth and so forth.

Mr. TYDINGS. Mr. President, will the Senator yield for one additional question?

Mr. CONNALLY. Certainly.

Mr. TYDINGS. Am I to understand that the tax of 22 percent on corporations is the tax that would be laid after a 5-percent exemption was taken out?

Mr. CONNALLY. No. I will say to the Senator that that is the excess-profits tax.

Mr. TYDINGS. Twenty-two percent is the flat corporation tax?

Mr. CONNALLY. The flat corporation tax, just such as is paid now.

Mr. TYDINGS. But as to excess profits, there would be 5 percent of the income set aside first, before the excess-profits tax would apply?

Mr. CONNALLY. Or \$3,000, whichever is the greater.

Here are the rate schedules:

In the case of corporations, the excess-profits taxes are as follows:

Ten percent of the amount of the net income in excess of the credit—

That credit is determined as I stated to the Senator a moment ago; the credit is \$3,000—

and not in excess of 10 percent of the invested capital for the taxable year.

Twenty percent of the amount of the net income in excess of 10 percent, but not in excess of 15 percent of the invested capital.

Thirty percent of the amount of the net income in excess of 15 percent, but not in excess of 20 percent of the invested capital. Forty percent of the amount of the net income in excess of 20 percent, but not in excess of 25 percent of the invested capital.

And then it goes on up to 60 percent in the higher brackets. Mr. President, those are the bare outlines of this amendment. It has been very carefully drawn by the drafting service, by the Joint Committee on Internal Revenue Taxation.

Mr. BYRD. Mr. President, has the Senator from Texas an estimate of the total revenue the amendment will bring?

Mr. CONNALLY. I explained a moment ago that on the basis of the 1938 income returns we would get almost \$8,000,000,000 out of the individual income-tax return. I am sorry to say that we have not the estimates on corporations.

Mr. BYRD. That amendment would take the place of the bill which is before us?

Mr. CONNALLY. If this amendment is adopted, the moment war is declared it comes into effect and displaces all other tax bills.

Mr. TYDINGS. Does that include excise taxes?

Mr. CONNALLY. No; we have restricted it to these two titles—incomes and corporations.

Mr. TYDINGS. Then I take it that the existing excise taxes which were on the books at the time war was declared would remain.

Mr. CONNALLY. They would continue.

Mr. TYDINGS. But all income taxes would be eliminated, and this measure would be substituted?

Mr. CONNALLY. Exactly. The Senator is correct.

Mr. BYRD. Mr. President, the Senator estimates that we will get \$8,000,000,000 for the present individual income taxes?

Mr. CONNALLY. On the basis of 1938 income.

Mr. BYRD. That does not include corporations?

Mr. CONNALLY. That does not include corporations. So I believe this would go a long way toward balancing the Budget, which we have long sought, but have not found, I will say to the Senator from Virginia.

Mr. BYRD. Mr. President, I should like the Senator to explain the provision on page 312. As I understand, that would give the President the right to fix prices on every article of every description, even down to the farmer's land. He could determine what the farmer's land was worth, what it should rent for and sell for.

Mr. BONE. Mr. President, in that connection, I was going to ask the Senator from Texas if he would strike from his amendment those controls which are in the back, titles II and III. They are not necessarily vital to the amendment.

Mr. CONNALLY. I am entirely willing to strike out those titles, if it is agreeable to the Senator from Washington, because the only reason why they are in the amendment is that that is all that was left of the Senator's bill. We left those things in, but we did revise the tax feature, because the tax features of the bill were referred to the Finance Committee. These other provisions were in the bill as it came from the Committee on Military Affairs; so we left them as they were, but we did revise the tax features. I am quite content to eliminate those titles.

Mr. BONE. I did not mean to imply that I was necessarily willing to accept the Senator's amendment.

Mr. CONNALLY. Oh, no.

Mr. BONE. I certainly would not vote against it if there was not something better offered. I merely feel that those so-called business and social controls might well be questioned. They are in very graphic and clear form.

They are almost the very heart of the mobilization plan. We had them in the first plan—No. 5529, I believe it was—that the Senator from Texas [Mr. CONNALLY] referred to, and they were stricken out in the last two or three drafts of this bill.

Mr. TYDINGS. Mr. President, the Senator has made a very clear explanation, I think, of the amendment as to taxes. I notice, just in glancing at the amendment, that it contains a number of powers of a very far-reaching nature. We should be, of course, taking some chances on voting for this amendment with the taxes in it, because many of us have not

had a chance to study it; but I think the Senator has pretty well explained what is in it. But with all the other powers in the amendment in addition to the taxes, no matter how much one might be in favor of the tax provisions of it, we would be writing a pretty big blank check to vote for those powers.

I should much prefer to have the amendment submitted without these powers granted to the President.

Mr. CONNALLY. I will say to the Senator that I indicated just a moment ago that so far as the Senator from Texas is concerned I am perfectly willing to eliminate titles II and III. We did not revise those titles because they came to us from the Military Affairs Committee. We did revise the provisions relating to taxation.

Mr. TYDINGS. Would the Senator eliminate them?

Mr. CONNALLY. I am eliminating them now.

Mr. BYRD. I would support, I think, the balance of the amendment.

Mr. CONNALLY. If I am going to abandon them to get the Senator's support, I do not want him to say "I think I will support it." I want to know whether he will or not.

Mr. BYRD. I could not support titles II and III.

Mr. CONNALLY. That is what I am going to strike out.

Mr. BYRD. Under title III the President would have the right to fix the price of all farming land.

Mr. CONNALLY. Mr. President, I ask leave to eliminate the language from page 309, line 3, down to page 328, line 2.

The PRESIDING OFFICER. The Senator from Texas modifies his amendment, as indicated.

Mr. BYRD. Mr. President, where does the modification begin, on what page?

Mr. CONNALLY. On page 309. It takes out all of titles II and III.

Mr. DANAHER. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield.

Mr. DANAHER. I should like to ask the Senator from Texas whether the Senator from Delaware [Mr. TOWNSEND], whose name was mentioned in connection with the amendment, agrees to the elimination of titles II and III.

Mr. CONNALLY. I have not consulted the Senator from Delaware, who is closer to the Senator from Connecticut now than to the Senator from Texas, and I think, as a matter of convenience, the Senator from Connecticut should privately approach the Senator from Delaware and find out, rather than clutter up the Record with unnecessary interrogatories. [Laughter.]

Mr. TOWNSEND. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield.

Mr. TOWNSEND. I wish to say to the Senator from Connecticut that I agree to the elimination.

Mr. CONNALLY. The Senator from Kansas [Mr. CAPPER] was the Senator I had in mind at the moment.

Mr. President, I do not desire to burden the Senate longer, but I shall insist that the Senate vote on the amendment. We have a fine amendment, which has been worked out with great care. It does carry heavy rates, but they are applicable only in time of war. I am tired hearing Senators beat their breasts and go about over the country and talk over the radio about "no millionaires shall be made out of this war," then when we offer a measure that will prevent millionaires being made out of the war, they want to postpone it to some other time.

Mr. President, before I take my seat I wish to say that, while I am not enjoying this night session, I believe it is the duty of the Congress to stay right here in Washington and pass a general tax bill as soon as the pending bill is out of the way. The people of the United States are willing now—I do not know how long they are going to remain willing, but they are willing now—to pay heavy, increased taxes, and they must know, and it is our duty to tell them, that with all of this preparedness, all these clouds of planes, and all these majestic battleships we are going to provide, and all of the tanks and mechanization, much money must be paid out. It is going to cost the people money, and if they want these things, we should take steps to pay for them, not provide that our grandchildren shall pay for them, but we should pay for them ourselves.

As soon as this temporary tax bill is out of the way I think we should reconvene and go to work on a general overhauling of the tax laws. We have to do it if we are to respond to our duty to our country, to ourselves, and to the people.

We all know we have to raise taxes whether we have a war or whether we do not. Why do we not do it? Some want to wait until after the election, I suppose. Neither party is going to make any political profit out of this war or out of this tax business. The people of the United States are not going to be deluded by any kind of peanut politics this good year, 1940. They want this program of preparedness carried out. They have to pay for it, and I am ready to vote to put it on them.

Mr. ASHURST. They are willing to pay for it.

Mr. CONNALLY. They are willing to pay for it. How long they will be willing I am not so sure. [Laughter.] They will pay now, and the time to pass the bill is when they want it. I receive telegrams and am called over the telephone, the messages being "I want to pay. I will pay 25 percent of my income." Well, will they be willing next January to pay 25 percent of their income? The time to pass a tax bill is right now.

Mr. ADAMS. Mr. President, I wish to ask a question for information with reference to the bill. The bill or amendment of the Senator from Texas would go into effect when Congress finds a state of war to exist?

Mr. CONNALLY. That is correct.

Mr. ADAMS. When it would go into effect would it take the place of existing tax law, or would it be added to that?

Mr. CONNALLY. It would take the place of existing tax laws as to the features which are mentioned. It would not disturb the excise taxes, but it would take the place of the individual income tax and the corporation tax.

Mr. ADAMS. I asked the question because there were some parts of the bill I had not read. [Laughter.]

Mr. CONNALLY. I am certainly surprised to know that the Senator has not read the bill. I have heard him discuss many bills on the floor, but I never detected before that he had not read them.

Mr. President, I do not want Senators to vote against the amendment merely because they desire to put it off. If the House of Representatives does not want to take it they do not have to, but it is our duty to add this amendment to the bill. The House will not originate one. The only opportunity we have of imposing a war-profits tax is by lying in wait, as it were, for some tax bill to come over from the House, and then tying a war-profits bill onto it.

We now have that opportunity. This is not a wild bill, this is not an anarchistic bill, this is not an alien bill, this is not a "fifth column" bill. We can make war under this bill, and yet we take from the individual taxpayers nearly \$8,000,000,000, and several more billions from the corporations. We will make the war self-sustaining so far as possible, and we will help to pay some of the tax-exempt bonds about which the Senator from Oklahoma is talking.

Mr. PEPPER. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield.

Mr. PEPPER. Did I understand the Senator to indicate in the last statement he made that the total revenue the bill would exact would be about \$15,000,000,000?

Mr. CONNALLY. No.

Mr. PEPPER. What is the revenue to be exacted?

Mr. CONNALLY. I said that on the basis of 1938 income-tax returns the yield from individual incomes would be nearly \$8,000,000,000. We have not estimates as to the corporations, because in 1938 the corporations were taxed on the basis of the undistributed dividends, and we are not under that system now, and we have not estimates as to the corporations; but the Senator I am sure will easily perceive that if we collect \$8,000,000,000 from individuals there will be a very sizable sum from corporations.

Mr. PEPPER. Would excise taxes also be added?

Mr. CONNALLY. No; they would not be disturbed. We do not disturb the excise taxes in this bill or other bills, but this merely takes the place of individual income taxes and

corporation taxes. We thought that when we got all the corporations and all the individuals, we were getting the people who were more apt to have war profits—excess profits.

There will not be a great deal of return from the taxes on cigarettes and soda water and moving pictures and things of that kind, but if we want to get the war profits, we can get them in this bill in a logical, reasonable way. The Treasury says it will work. The Treasury says it can administer it. The Treasury says it is not destructive. It has had the painstaking care and labor of the subcommittee for about 6 months, every day, with the experts of the Joint Committee on Taxation, of the Treasury, and the legislative counsel.

If anyone can synthesize any better bill than this let him bring it in. It does not destroy incomes. It lets them live. It milks the old cow right down to the point of exhaustion, but it does not quite exhaust her, because we want some milk tomorrow. [Laughter.]

Mr. President, I hope the Senate will adopt the amendment in lieu of the amendment offered by the Senator from Washington.

Mr. LEE. Mr. President, I shall not take long, but I think it appropriate to explain the difference between the two bills in the form of amendments now under discussion and the bill which is now on the Senate Calendar to draft capital in case of war.

These amendments will recover profits resulting from commerce and industry, but during the World War some of the greatest profits were made in the field of finance. Neither of these amendments will touch the profits in the field of finance. For instance, if we adopt one of them—and I hope we will—then the Treasury will have to borrow \$4,000,000,000 in order to set our program of national defense in motion. When it borrows that money it guarantees exemption.

In the World War when we borrowed money, because of inflation we borrowed 50-cent dollars. Inflation always accompanies war. Deflation always follows war. When we paid those bonds back we paid them back with 150-cent dollars. We borrowed 50-cent dollars and paid back 150-cent dollars, and there was a tremendous profit or unearned increment made on those tax-exempt bonds.

If we are to cover the field of profiteering in war, we must have a system of forced loans which are not tax exempt, so that each person must buy in proportion to his ability, and not on the basis of pressure of patriotism or profit.

I wish to make plain at this time, that even though we adopt one of these amendments we will not take all the profits out of war, and we will not have a financing system that will yield money as we need it, because no nation has ever been able to pay for a war as it fights the war.

Therefore we must borrow money, and if we borrow under the old system of tax exemption, and Government bonds are bought because of patriotism rather than on the basis of ability, we still are not reaching the subject of profiteering.

Mr. PEPPER. Mr. President, will the Senator yield?

Mr. LEE. I yield.

Mr. PEPPER. Does either one of these amendments impose a higher rate of tax upon income derived from war industries than upon income derived from ordinary industrial activities? I mean is there any higher tax upon income derived from war activities than upon income derived from ordinary peacetime activities?

Mr. LEE. No. They cannot be separated. But measures apply only upon a declaration of war, or war conditions as determined by Congress. As I understand the amendment of the Senator from Texas [Mr. CONNALLY], it attempts to leave a margin of normal profit. As I understand the amendment of the Senator from Washington [Mr. BONE], to which I am a signatory, it leaves a much less margin of profit.

Mr. CONNALLY. Mr. President, the Senator from Arizona [Mr. ASHURST], in his kindness and wisdom, has requested that I read briefly the concluding paragraph of my amendment, which is as follows:

Except as otherwise provided herein, the provisions of this act shall become operative and in full force and effect immediately upon the declaration by Congress that a state of war exists between the

United States and any foreign government and that the existence of such state of war creates grave national emergency; and such provisions shall remain in full force and effect for the duration of such war and thereafter until the Congress shall declare the emergency created by such war to be at an end.

Mr. President, I ask that the amendment be referred to in the proceedings and in the conference report, if any, as Senate bill 4141. I do that in order to save the expense of printing.

The PRESIDING OFFICER. The Chair will advise the Senator from Texas that the amendment can be referred to by number in the Senate Journal and in the CONGRESSIONAL RECORD, but if it goes back to the House it will have to go back as part of the House bill.

Mr. CONNALLY. As far as it is possible to do so, I ask that it be referred to as Senate bill 4141, because I do not want to have it printed two or three different times.

Mr. BONE. Mr. President, I wish to say to the Senate that substantially the same provision concerning the application of Senate bill 1885 and its termination date is contained in the language of the bill or amendment of the Senator from Texas [Mr. CONNALLY]. That is, it becomes operative in time of war.

I wish to make one final suggestion. I want Senators to understand that Senate bill 1885, which I have been discussing, is not my work. The bill originated from the Senate Munitions Committee and was prepared after months of careful study by the best tax experts the committee had at its command. It is not a haphazard piece of work or a piece of botch work. It has been given, I think, the consideration of the ablest tax experts that the Senate committee could employ for that purpose.

In connection with the bill presented by the Senator from Texas [Mr. CONNALLY], if I shall vote against it I want the Senator to understand that I am not objecting to it except upon this basis, that I think the tax levels contained in his bill are not high enough. I want more drastic tax levels and, of course, I should like to see Senate bill 1885 adopted. For that reason, if I shall elect to vote against the bill of the Senator from Texas, I want him to know why I do so.

Mr. NYE. Mr. President, the presentations made by the able Senator from Washington [Mr. BONE] and the able Senator from Texas [Mr. CONNALLY], in support of this legislation leaves room for nothing more to be said. I only wish to say that I shall find it not at all to my liking to vote against the amendment which is offered by the Senator from Texas [Mr. CONNALLY], but, since it will be the first one offered and voted on, and since I much prefer the more stringent rates provided in the amendment offered by the Senator from Washington, I shall have to vote "nay" on the next vote.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Texas [Mr. CONNALLY] in the nature of a substitute for the amendment of the Senator from Washington [Mr. BONE.]

The amendment was agreed to.

The question now is on the amendment of the Senator from Washington, as amended.

Mr. CONNALLY. I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. HATCH. A parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. HATCH. Simply because there is great confusion in the Chamber some Senators are not quite sure as to what is being voted on. Will the Chair state what we are now voting on?

The PRESIDING OFFICER. The question now to be voted on is on the amendment of the Senator from Washington [Mr. BONE] as amended by the Senator from Texas [Mr. CONNALLY], the amendment of the Senator from Texas being in the nature of a substitute for the amendment of the Senator from Washington. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. CHANDLER (when his name was called). I have a pair with the senior Senator from Pennsylvania [Mr. DAVIS]. I transfer that pair to the Senator from Arizona [Mr. HAYDEN], and will vote. I vote "nay."

Mr. SHIPSTEAD (when his name was called). I have a general pair with the senior Senator from Virginia [Mr. GLASS]. I transfer that pair to the senior Senator from North Dakota [Mr. FRAZIER]. I am not informed how the Senator from Virginia would vote. I am informed that the Senator from North Dakota would vote "yea," and therefore I am at liberty to vote. I vote "yea."

Mr. THOMAS of Utah (when his name was called). On this question I have a pair with the senior Senator from New Hampshire [Mr. BRIDGES]. I therefore withhold my vote.

The roll call was concluded.

Mr. MINTON. I announce that the Senator from North Carolina [Mr. BAILEY], the Senator from Mississippi [Mr. BILBO], the Senator from Idaho [Mr. CLARK], the Senator from Virginia [Mr. GLASS], the Senator from Arizona [Mr. HAYDEN], the Senator from Louisiana [Mr. OVERTON], the Senator from Illinois [Mr. SLATTERY], and the Senator from Tennessee [Mr. STEWART] are necessarily detained.

Mr. AUSTIN. The Senator from Michigan [Mr. VANDENBERG] has a general pair with the Senator from Illinois [Mr. SLATTERY].

The Senator from Oregon [Mr. HOLMAN] has a general pair with the Senator from Tennessee [Mr. STEWART]. If present, the Senator from Oregon would vote "nay."

The Senator from New Jersey [Mr. BARBOUR] is absent on official duties.

The Senator from Pennsylvania [Mr. DAVIS] is absent because of illness in his family.

The Senator from Vermont [Mr. GIBSON] is absent on account of illness.

The result was announced—yeas 51, nays 28, as follows:

YEAS—51			
Andrews	Downey	La Follette	Schwartz
Ashurst	Ellender	Lee	Schwellenbach
Bankhead	George	Lundeen	Sheppard
Bone	Gillette	Mead	Shipstead
Bulow	Green	Miller	Thomas, Idaho
Byrd	Guffey	Minton	Thomas, Okla.
Byrnes	Harrison	Murray	Truman
Capper	Hatch	Neely	Tydings
Caraway	Herring	Norris	Wagner
Chavez	Hill	Nye	Walsh
Clark, Mo.	Holt	Pepper	Wheeler
Connally	Hughes	Reynolds	Wiley
Donahay	Johnson, Colo.	Russell	
NAYS—28			
Adams	Gerry	McKellar	Smathers
Austin	Gurney	McNary	Smith
Barkley	Hale	Maloney	Taft
Brown	King	O'Mahoney	Tobey
Burke	Lodge	Pittman	Townsend
Chandler	Lucas	Radcliffe	Van Nuys
Danaher	McCarran	Reed	White
NOT VOTING—17			
Bailey	Davis	Holman	Thomas, Utah
Barbour	Frazier	Johnson, Calif.	Vandenberg
Bilbo	Gibson	Overtton	
Bridges	Glass	Slattery	
Clark, Idaho	Hayden	Stewart	

So Mr. BONE's amendment, as amended, was agreed to.

The PRESIDING OFFICER. The bill is still before the Senate and open to further amendment.

SEVERAL SENATORS. Vote! Vote!

Mr. DANAHER. Mr. President, this afternoon, after some discussion with the chairman of the Finance Committee and with the Senator from Michigan [Mr. BROWN], who is handling one phase of the bill with respect to which there was an interesting discussion earlier in the day, counsel for the Treasury Department, who was present, prepared language which covers all the cases mentioned by the Senators who had an interest in the discussion.

Mr. President, the objective sought to be achieved is to remove the possibility of retroactive liability from State officers and employees who were paid in part from Federal funds for the years 1936, 1937, and 1938. The matter has been fully canvassed. Until the Supreme Court decision of 1939, these employees were not even considered taxable. In order to do equity in the case, irrespective of what the legal claim may have been, and in order that these employees may not be unjustly subjected to taxation, I offer an amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment offered by the Senator from Connecticut will be stated.

The CHIEF CLERK. At the proper place in the bill it is proposed to insert the following:

Section 205 of the Public Salary Tax Act of 1939 is amended by inserting "(a)" after "205" and by adding thereto a new paragraph to read as follows:

"(d) The amount of income tax shall be assessed or collected, after the date of the enactment of the Revenue Act of 1940, which is attributable to compensation received for any taxable year beginning prior to January 1, 1939, for personal service as an officer or employee of any State, or any political subdivision thereof, or any agency or instrumentality of any of the foregoing, if, but for the provisions of paragraph (a), assessment or collection of such tax would be prohibited by the provisions of this title."

Mr. HARRISON. Mr. President, does the Senator's amendment deal only with punitive taxes, or is it along the same line as the previous amendment? Is it different from the amendment which the Senator offered earlier in the day?

Mr. DANAHER. Yes; let me say to the Senator from Mississippi that the Treasury counsel has redrafted, in the language desired by the Treasury Department—if an amendment of this type were to be adopted—identically the language needed to cover the situation and to include all the cases mentioned, such as those mentioned by the Senator from Wyoming, the Senator from Arkansas, and others. Consequently, this language is now deemed in proper form by the Treasury counsel.

Mr. HARRISON. I have no objection to its going to conference.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Connecticut [Mr. DANAHER].

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment. If there be no further amendment to be proposed, the question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed, and the bill to be read a third time.

The bill was read the third time.

The PRESIDING OFFICER. The bill having been read three times, the question is, Shall it pass?

Mr. MCKELLAR, Mr. BARKLEY, and other Senators called for the yeas and nays, and they were ordered.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. ASHURST (when Mr. HAYDEN's name was called). My colleague [Mr. HAYDEN] is unavoidably detained. If present, he would vote "yea."

Mr. SHIPSTEAD (when his name was called). Making the same announcement as before, I am informed that the senior Senator from Virginia [Mr. GLASS], with whom I am paired, would vote "yea" if present. Therefore, I am at liberty to vote. I vote "yea."

Also, I am informed that the senior Senator from North Dakota [Mr. FRAZIER], if present, would vote "yea."

Mr. LUCAS (when Mr. SLATTERY's name was called). My colleague [Mr. SLATTERY] is unavoidably detained from the Senate because of illness in his family. If he were present, he would vote "yea."

Mr. MCKELLAR (when Mr. STEWART's name was called). My colleague [Mr. STEWART] is detained on very necessary public business. If he were present, he would vote "yea." He is paired with the Senator from Oregon [Mr. HOLMAN].

Mr. THOMAS of Utah (when his name was called). On this question I have a pair with the senior Senator from New Hampshire [Mr. BRIDGES] and therefore withhold my vote.

The roll call was concluded.

Mr. McNARY. The senior Senator from California [Mr. JOHNSON], the senior Senator from Michigan [Mr. VANDENBERG], and the junior Senator from Oregon [Mr. HOLMAN] are necessarily absent. If present, those Senators would vote "yea."

Mr. MINTON. The Senator from North Carolina [Mr. BAILEY], the Senator from Idaho [Mr. CLARK], and the Sen-

ator from Virginia [Mr. GLASS] are necessarily absent. If present, they would vote "yea."

Mr. ELLENDER. My colleague [Mr. OVERTON] is necessarily absent. If present, he would vote "yea."

Mr. AUSTIN. I announce that the following Senators would vote "yea" if present:

The Senator from New Jersey [Mr. BARBOUR], who is absent on official duties;

The Senator from North Dakota [Mr. FRAZIER], who is necessarily absent; and

The Senator from Pennsylvania [Mr. DAVIS], who is absent because of illness in his family.

The result was announced—yeas 75, nays 5, as follows:

## YEAS—75

Adams	Donahay	Lucas	Schwartz
Andrews	Downey	McCarran	Schwellenbach
Ashurst	Ellender	McKellar	Sheppard
Bankhead	George	McNary	Shipstead
Barkley	Gerry	Maloney	Smathers
Bilbo	Gillette	Mead	Smith
Bone	Green	Miller	Thomas, Idaho
Brown	Guffey	Minton	Thomas, Okla.
Bulow	Harrison	Murray	Tobey
Burke	Hatch	Neely	Townsend
Byrd	Herring	Norris	Truman
Byrnes	Hill	Nye	Tydings
Capper	Holt	O'Mahoney	Van Nuys
Caraway	Hughes	Pepper	Wagner
Chandler	Johnson, Colo.	Pittman	Walsh
Chavez	King	Radcliffe	Wheeler
Clark, Mo.	La Follette	Reed	White
Connally	Lee	Reynolds	Wiley
Danaher	Lodge	Russell	

## NAYS—5

Austin	Hale	Lundeen	Taft
Gurney			

## NOT VOTING—16

Bailey	Davis	Hayden	Slattery
Barbour	Frazier	Holman	Stewart
Bridges	Gibson	Johnson, Calif.	Thomas, Utah
Clark, Idaho	Glass	Overtton	Vandenberg

So the bill was passed.

Mr. HARRISON. I ask unanimous consent that the Secretary of the Senate be authorized to change the section numbers and make changes in cross-references in the bill, and that in printing the Senate engrossed amendments the so-called Connally amendment be printed in roman type; also, that the bill be printed with the Senate amendments numbered, except the so-called Connally amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HARRISON. I move that the Senate insist on its amendments, request a conference with the House of Representatives thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. HARRISON, Mr. KING, Mr. GEORGE, Mr. LA FOLLETTE, and Mr. CAPPER conferees on the part of the Senate.

Mr. WILEY. Mr. President, during these trying days of international chaos, we in America are grateful that we are at peace. Our economy, however, is not at peace. We shattered the peace of our economy the very day we decided that we needed to arm for defense, and Hitler's victories made this more necessary.

Our economy is in a transitional stage—the bill for our armaments is not as high as in wartime, but it is higher than it has ever been in peacetime. We can anticipate today that 6 months from now we will begin to find out how defense costs will affect our standards of living and our national economy.

We know that the cost of defense in a mad, shrinking world, is tremendous. We know that those costs are largely an unproductive drain on the national economy. We know that paying these costs will mean sacrifices wrung from us in money and tears and sweat.

It is well for us to be prepared for these sacrifices now. It is well for us to realize that our public debt on April 18, just 21 days before the beginning of the blitzkrieg in western Europe, was \$42,598,000,000. Since then we have whipped up our obligations to a record high of better than \$45,000,000,000.

Mr. President, if we were to raise our defense fund in only one State—my own State of Wisconsin—it would cost every

man, woman, and child, a thousand dollars. We must realize that today in raising such a huge fund we are writing a mighty big mortgage on our standard of living. You may be certain our economic life up ahead will not be all "beer and skittles."

It serves no purpose now to wrangle over past defense expenditures. It serves no purpose now to speak of a "sixth column" found in incompetent government. The 2,500-page report of the majority and minority members of the House Appropriations Committee on this score is very enlightening reading, and it gives us the tip-off as to what the future should not be.

Our past spending has given us several costly lessons.

First. Past spending has lowered our standards of living and the cumulative peak has not yet been reached.

Second. Temporary gains made through Government spending are temporary in their invigorating effects on our economy—mere "shots in the arm."

Third. Our present spending will lower our standard of living still further.

Fourth. Careful, intelligent spending will insure that we get our money's worth and will lessen the future economic impact of paying the bill. That means that we cannot pay "ducks and drakes" with defense money.

Fifth. The maximum borrowing capacity of the Government must be available for defense financing. This means that all unnecessary spending in other branches of Government must cease.

Sixth. We must stop the trend away from a competitive enterprise system, or there will be no point in defending this hemisphere.

All this brings us to the question of "taking the profits out of war." In a day and age of slogans, this is a popular slogan. War profit is like sin—most respectable folks are against it.

We are all opposed to profiteering. We remember the World War. That war made some multimillionaires while other men fought in the mud at \$30 a month. We remember the manufacturers who turned out shoddy uniforms and dud shells at top prices. And we remember that a few workers sometimes loitered in shipyards and munitions plants at top wages. After all, you do not have to wear a plug hat to be a profiteer. In all fairness, though, I believe it should be stated that the vast bulk of labor merely asks for a square deal.

Mr. President, no one will sanction the exploitation of an emergency by conscienceless men. Everyone is for an anti-war profits bill. That makes it doubly important for us to see that no other idea masquerades under that title. The distinguished Senator from Washington undoubtedly is sincere in referring to his bill as an "antiwar profits bill," but I believe the title is a misnomer when applied to his bill. This bill doesn't appear to be directed at war profits. It does not appear to be concerned about the unholy profits of war. It is merely directed at imposing extraordinary confiscatory taxes on everyone in the event of war. I lent my name to the bill, not as approval thereof, but in order that this challenging interest could be brought into the open.

I object to this bill for a number of reasons:

First. It is not a war-profits bill as its title implies.

It does not direct its fire against profits. It hits at the average day-to-day bread-and-butter income of the average taxpayer.

It would annihilate the small incomes of policemen, for example. A policeman or a school teacher would receive no more in wartime than in peacetime, and his peacetime income is small enough. His living expenses would be blasted sky-high. He would not be making a cent of profit out of the war. In fact he would be living up to every cent of his income. Yet, this bill would bleed him white with a supertax.

That does not get at war profits. That does not eliminate war profits. It merely sandbags the general public into a stupor so Government can take over.

Second. Its provisions are so drastic as to be confiscatory. A man and his wife would have \$1,000 to live on and then the tax would be applied. A man with \$10,000 would pay \$2,640. A man with a \$100,000 income would pay \$89,210. A man with a million-dollar income would pay \$980,210, and, as has been pointed out, might conceivably pay more than 100 percent after all his taxes were added. Meanwhile the corporation tax would take all income over 6 percent. I object to the bill because it is confiscation.

Third. I object to the bill because I believe it would kick our economy wide open. If a man with a good income suddenly has to pay from one-third to nine-tenths of that income in taxes, he would be forced to default on his commitments, life insurance, and so forth. This bill would paralyze our economy and drain our economic bloodstream.

There are certain possibilities, however, of actually doing what this bill proposes to do; that is, tax war profits. I believe we should tax war profits, and that is why I signed this bill. I believe this problem should be considered now. We might tax war profits in several ways.

First. Freeze the peacetime income at regular rates—possibly at the average gross figure of the last 3 years' income-tax report—and then put on a very high tax for income over the peacetime average. This would put a ceiling on profits.

Second. We might permit everyone to make as much money as he can and then levy on his capital after the war is successfully concluded.

But whatever we do, we must realize that we are in for a period of self-discipline, self-denial, and self-sacrifice. Defense and the protection of our land must move on despite "hell and high-water taxes." The cost of defense is great, but the need is greater.

Mr. President, in connection with every tax program, besides the matters I have heretofore suggested, it appears to me that we cannot simply be concerned with the immediate present; we have to look into the future. It is conceded by everyone here that after this war crisis is over America will face the greatest test in her history. It has been said that the depression of 1929 will be a mere rain shower compared with the storm we will have to face. Under those circumstances, Mr. President, I drop this suggestion:

I believe that every industry that employs labor should be privileged to create a special reserve of at least 5 percent per year of its yearly income, a reserve that could be specially set aside to aid in providing for labor in the slack years that are up ahead.

As a corollary of this proposition, in view of the fact it has been said that the world is facing a period of famine and possibly worse, it would be well for the Government to take the lid off of our production and start a storage program of its own, making us able to look after our own and meeting the responsibility that the world crisis places upon us. This kind of a program would provide the Government with a means of stabilizing prices; it would give the producer a fair return for what he produces. The Government could also, by this very method, interfere with anyone gambling with the rights of the public.

#### ADDITIONAL REPORT OF A COMMITTEE

Mr. MINTON, from the Committee on Interstate Commerce, to which was referred the joint resolution (S. J. Res. 212) making applicable to certain coal deliveries the prices established by the National Bituminous Coal Commission, reported it without amendment and submitted a report (No. 1904) thereon.

#### ADDITIONAL BILLS INTRODUCED

Additional bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. KING:

S. 4161. A bill to amend the District of Columbia Revenue Act of 1939; to the Committee on the District of Columbia.

By Mr. MEAD:

S. 4162. A bill to limit the power of the Home Owners' Loan Corporation to obtain deficiency judgments and to

provide for local boards to review cases in which the Corporation contemplates institution of foreclosure proceedings; to the Committee on Banking and Currency.

#### SECOND DEFICIENCY APPROPRIATIONS—AMENDMENT

Mr. MEAD submitted an amendment proposing to appropriate \$2,000 under the office of Sergeant at Arms and Doorkeeper, Senate, for salary of messenger at special gallery door, fiscal year 1941, intended to be proposed by him to House bill 10104, the second deficiency appropriation bill, which was referred to the Committee on Appropriations and ordered to be printed.

#### SUPPLEMENTAL APPROPRIATIONS FOR THE NATIONAL DEFENSE

Mr. ADAMS. Mr. President, I move that the Senate proceed to the consideration of House bill 10055, making supplemental appropriations for the national defense.

The motion was agreed to; and the Senate proceeded to consider the bill (H. R. 10055) making supplemental appropriations for the national defense for the fiscal year ending June 30, 1941, and for other purposes, which had been reported from the Committee on Appropriations with amendments.

#### EXECUTIVE SESSION

Mr. BARKLEY. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

#### EXECUTIVE REPORTS OF A COMMITTEE

Mr. McKELLAR, from the Committee on Post Offices and Post Roads, reported favorably the nominations of sundry postmasters.

The PRESIDING OFFICER (Mr. HILL in the chair). If there be no further reports of committees, the clerk will state the nominations on the calendar.

#### THE COAST GUARD

The legislative clerk proceeded to read sundry nominations in the Coast Guard.

The PRESIDING OFFICER. Without objection, the nominations are confirmed en bloc.

#### COAST AND GEODETIC SURVEY

The legislative clerk proceeded to read sundry nominations in the Coast and Geodetic Survey.

The PRESIDING OFFICER. Without objection, the nominations are confirmed en bloc.

#### POSTMASTERS

The legislative clerk proceeded to read sundry nominations of postmasters.

Mr. McKELLAR. I ask unanimous consent that the nominations of postmasters be confirmed en bloc.

The PRESIDING OFFICER. Without objection, the nominations are confirmed en bloc.

#### IN THE MARINE CORPS

The legislative clerk proceeded to read sundry nominations in the Marine Corps.

The PRESIDING OFFICER. Without objection, the nominations are confirmed en bloc.

That completes the Executive Calendar.

#### RECESS

Mr. BARKLEY. As in legislative session, I move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 10 o'clock and 30 minutes p. m.) the Senate took a recess until tomorrow, Thursday, June 20, 1940, at 12 o'clock meridian.

#### CONFIRMATIONS

*Executive nominations confirmed by the Senate June 19 (legislative day of May 28), 1940*

#### COAST GUARD OF THE UNITED STATES

James Pine to be a captain.  
Arthur E. Larsen to be a chief boatswain.  
Harry F. Bradley to be a chief machinist.

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#### COAST AND GEODETIC SURVEY

TO BE HYDROGRAPHIC AND GEODETIC ENGINEERS (WITH RELATIVE RANK OF LIEUTENANT IN THE NAVY)

Alvin Cecil Thorson  
Joe Charles Partington

TO BE JUNIOR HYDROGRAPHIC AND GEODETIC ENGINEER (WITH RELATIVE RANK OF LIEUTENANT, JUNIOR GRADE, IN THE NAVY)

Herman Carl Applequist  
William Francis Deane  
Edgar Flanay Hicks, Jr.

#### PROMOTIONS AND APPOINTMENTS IN THE NAVY MARINE CORPS

##### To be second lieutenants

William M. Gilliam	Homer G. Hutchinson, Jr.
Wade M. Jackson	John R. Ivey
David E. Marshall	Paul T. Johnston
David Ahee	Paul M. Jones
Paul H. Allbright	William P. Kaempfer
Earl E. Anderson	George B. Kantner
Wendell W. Andrews	Bernard T. Kelly
Henry Aplington 2d	John W. Kennedy, Jr.
James O. Appleyard	Walter T. Kerttula
Robert H. Armstrong	Karl W. Kolb
Robert M. Ash	Carl V. Larsen
John D. Atkins, Jr.	Crawford B. Lawton
Frank L. Avbel	Walter E. Lischeid
Charles R. Baker	Will E. Madden
Allen T. Barnum	Charles S. Manning
Edward M. Barrett	Kenneth E. Martin
Roy J. Batterton, Jr.	Marlin C. Martin, Jr.
Kenneth H. Bayer	Phillip B. May
Francis X. Beamer	Robert C. Maze
James O. Bell	Kermit C. Zieg
Alexander R. Benson	William S. McLaughlin
Orville V. Bergren	Paul B. McNicol
James H. Biddy	George G. Megrail
Paul H. Bird	Robert F. Meldrum
William M. Bryan, Jr.	Robert A. Merchant, Jr.
Earl A. Cash	Ross S. Mickey
High J. Chapman	Hector R. Migneault
Mason F. Chronister	Harry T. Milne
Max B. Clinkinbeard	Richard I. Moss
Darrell L. Cool	Franklin B. Nihart
Walter F. Cornell	Arba L. Norton
Stoddard G. Cortelyou	Thomas J. O'Connor
Lloyd G. Coutts	Robert J. Oddy
Winsor V. Crockett, Jr.	Jeff P. Overstreet
Victor J. Croizat	Edward L. Peoples
Claude B. Cross	Tillman N. Peters
Francis F. Daly	Ralph L. Pipes
John E. Decher, Jr.	Jonas M. Platt
John L. Donnell	Daniel S. Pregnall
William R. Door, Jr.	Baptiste D. Pronovost
Clifford B. Drake	John A. Ptak
Walter L. Eddy, Jr.	Robert T. Raby
Emil P. Eschenburg	Earle K. Radord, Jr.
Edward V. Finn	James D. Ramsey
Clyde P. Ford	Howard J. Rice
Fred J. Frazer	Hulon H. Riche
Ernest C. Fusan	Wallace H. Robinson, Jr.
Walter C. Goodpasture, Jr.	Leyton M. Rogers
Elbert D. Graves	Albert H. Schierman
John W. Graves	Donald M. Schmuck
John H. Gustafson	Frederick A. Seimears
Victor J. Harwick	Robert D. Shaffer
Robert O. Hawkins	Allan L. Shepard
Thomas H. Healy	Carleton E. Simensen
Wade H. Hitt	Frederic R. Smith
Walter Holomon	Robert E. Snider
John F. Holt	Francis T. Snyder
Marshall J. Hooper	Raymond O. Sommers
Nicholas L. Hotti	William H. Souder, Jr.
Kenneth C. Houston	Edward M. Staab, Jr.
Wilson F. Humphreys	Elmer E. Sutphin 3d

Robert T. Sweeney  
Robert Y. Stratton  
Robert D. Taplett  
Harry W. Taylor  
Eugene N. Thompson  
Robert J. Trulaske  
Walton L. Turner  
Clarence E. Van Ray  
Charles E. Warren

George F. Waters, Jr.  
John A. White  
Elliott Wilson  
John Winterholler  
Herbert F. Woodbury  
Alexander M. Worth, Jr.  
Richard W. Wyczawski  
Howard A. York

## POSTMASTERS

## KENTUCKY

Henry Roe Thompson Kinnaird, Edmonton.  
Raymond E. Doyle, Park City.

## LOUISIANA

Henry H. Sample, Lecompte.

## NEBRASKA

James A. Gunn, Ponca.  
Robert Harold O'Kane, Wood River.

## NEVADA

Isaac L. Stone, McGill.  
Effie M. Perry, Yerington.

## NORTH CAROLINA

John G. Kennedy, Beulaville.  
Robert A. Watson, Sr., Jonesboro.  
Parley Potter, Magnolia.  
Robert L. Mattocks, Maysville.  
Karl M. Cook, Mount Pleasant.  
Lacy F. Clark, Raeford.  
James B. Hayes, Rocky Point.  
Murphy Lee Carr, Rosehill.  
Lucile L. White, Salemburg.  
Roger Mills Laughridge, Shelby.  
Harry E. Smith, Vanceboro.

## OHIO

Earl C. Stiwald, Amherst.  
Robert B. Maddock, College Corner.  
Howard C. Whitmire, Delta.  
Ludwig Ries, Jr., Dennison.  
Terrence B. King, Deshler.  
Paul E. Harbaugh, Kings Mills.  
Allen E. Owens, Kinsman.  
Homer P. Galloway, Lore City.  
Elmyra L. Griswold, Macedonia.  
Frederick H. Kramer, Millersport.  
Marguerite E. Martin, Monroeville.  
Fred E. Surgen, Murray City.  
Alvie F. Jones, North Jackson.  
Ansel C. Bidlack, Oakwood.  
John H. H. Welsch, Port Washington.  
Glenn D. Keeney, Rock Creek.  
Chester A. Hostetler, Strasburg.  
Samuel A. Smith, Sugarcreek.  
John E. Reichard, Willshire.

## SOUTH DAKOTA

Edward Lee McMahon, Beresford.  
James T. Homme, Bison.  
Theodore G. Welland, Bridgewater.  
Herbert C. Hagen, Britton.  
Loyal H. McKnight, Bruce.  
Charles Gordon Finley, Bryant.  
Winfield C. Clark, Canistota.  
Violet Ellefson, Castlewood.  
Ralph L. Chambers, Clear Lake.  
John R. Knapp, Colome.  
Helen M. Himebaugh, Custer.  
Alva I. Addy, Dallas.  
Hollis M. Hill, De Smet.  
Thomas H. Ryan, Elk Point.  
Joseph A. Conlon, Faulkton.  
Ernest F. Heuer, Florence.  
Albert A. Schmidt, Freeman.  
Clyde V. Hill, Highmore.  
Sebastian A. Archer, Lake Preston.

John T. Schneider, Lebanon.  
Fred J. Hepperle, Leola.  
Sylvester C. Eisenman, Marty.  
Michael P. Garvey, Milbank.  
Charles P. Corcoran, Miller.  
Michael F. McGrath, Morrystown.  
Arthur A. Kluckman, Mound City.  
John Loesch, Oldham.  
Olga R. Otis, Pierpont.  
Harry F. Evers, Pukwana.  
Harvey J. Seim, Revillo.  
Albert H. Fogel, Rosholt.  
Leroy F. Lemert, Spencer.  
Agnes Parker, Timber Lake.  
William A. Bauman, Vermillion.  
Rose Cole Hoyer, Wagner.  
Clarence J. LaBarge, Wakonda.  
Leo F. Craney, Watertown.  
Marion Peterson, Waubay.  
Frank D. Fitch, Wessington.  
Frank B. Kargleder, White Rock.  
Edd A. Sinkler, Wood.

## HOUSE OF REPRESENTATIVES

WEDNESDAY, JUNE 19, 1940

The House met at 12 o'clock noon, and was called to order by the Speaker.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Almighty God, who dwellest in the beauty and glory of infinite holiness, we draw nigh to Thee as our merciful, Heavenly Father. So regard us that our minds shall be awake to strong and impelling desire for righteousness and peace. O Lord God, there is a shudder in the world, which makes it quiver to its foundation. Countless numbers of mankind are being bound by the chains of stalking, petrified hearts of conquest as they face the vast, all-engulfing abyss of terror. Stay Thou the foaming teeth of war with death in their jaws as they blaspheme the name of God and defame the souls of men. O loving Father, have mercy, have mercy as the multitudes of the crippled, the sightless, and the fatherless are driven before the wild flames of murder to their unknown graves. We pray Thee to strengthen our mighty hopes that make us Thy children; direct our country in every good work and bless all our institutions which mark the aspirations of a free people; pity us in our weaknesses; restrain us in our tendencies; be at our side when the way is unsafe. In the name of Christ Jesus our Lord. Amen.

The Journal of the proceedings of yesterday was read and approved.

## MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 8668) entitled "An act making appropriations for the fiscal year ending June 30, 1941, for civil functions administered by the War Department, and for other purposes."

The message also announced that the Senate agrees to the amendments of the House to a bill of the Senate of the following title:

S. 2059. An act authorizing a grant to the city of Fargo, N. Dak., of an easement in connection with the construction of water and sewer systems.

## THE HONORABLE EDWARD T. TAYLOR, OF COLORADO

Mr. LUDLOW. Mr. Speaker, I ask unanimous consent to address the House briefly.

The SPEAKER. Is there objection to the request of the gentleman from Indiana [Mr. Ludlow]?

There was no objection.

The SPEAKER. The Chair thinks it is proper to say that under the circumstances presented this morning by the gentleman from Indiana and others, by agreement of the